

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	2,696.84	86.00	15.99	2,798.83	95.00	18.74	2,810.58	2,810.58
Personal Services	98,366,813	4,139,343	1,275,482	103,781,638	4,997,123	1,542,001	104,905,937	208,687,575
Operating Expenses	70,760,991	8,074,396	20,927,229	99,762,616	8,790,025	6,790,836	86,341,852	186,104,468
Equipment	793,242	51,983	142,420	987,645	27,983	107,157	928,382	1,916,027
Capital Outlay	6,356	0	0	6,356	0	0	6,356	12,712
Local Assistance	6,249	0	0	6,249	0	0	6,249	12,498
Grants	37,927,039	5,399,866	1,692,133	45,019,038	5,798,010	959,410	44,684,459	89,703,497
Benefits & Claims	558,364,221	100,246,920	106,894,833	765,505,974	124,276,809	118,046,001	800,687,031	1,566,193,005
Transfers	0	0	28,950	28,950	0	29,221	29,221	58,171
Debt Service	619,798	0	1,200	620,998	0	1,200	620,998	1,241,996
Total Costs	\$766,844,709	\$117,912,508	\$130,962,247	\$1,015,719,464	\$143,889,950	\$127,475,826	\$1,038,210,485	\$2,053,929,949
General Fund	228,813,863	21,792,024	12,352,882	262,958,769	28,745,435	15,544,043	273,103,341	536,062,110
State/Other Special	32,370,025	1,032,554	(4,479,762)	28,922,817	2,113,640	(2,920,907)	31,562,758	60,485,575
Federal Special	505,660,821	95,087,930	123,089,127	723,837,878	113,030,875	114,852,690	733,544,386	1,457,382,264
Total Funds	\$766,844,709	\$117,912,508	\$130,962,247	\$1,015,719,464	\$143,889,950	\$127,475,826	\$1,038,210,485	\$2,053,929,949

Agency Description

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects including: welfare reform - Families Achieving Independence in Montana (FAIM), Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Facility, Lewistown; Montana Chemical Dependency Center, Butte; Eastmont Human Services Center, Glendive; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Summary of Legislative Action

The DPHHS budget as approved by the legislature includes present law adjustments totaling \$261.9 million, including \$50.6 million general fund. New proposals approved by the legislature add \$258.4 million total funds, including a \$27.9 million general fund increase. The legislature also funded 133.74 new FTE.

About 28 percent of the new proposals and present law adjustments approved by the legislature are not necessarily new costs but reflect changes in accounting procedures or the non-budgeted status of a particular expenditure. For example, appropriation authority for food stamp benefits historically has not been included in the general appropriations act. However, due to a change in how benefits will be distributed, statute requires that appropriations for these expenditures be authorized in the general appropriations act. The appropriations for expenditures previously not included in HB2 are:

- ?? Food stamp benefit appropriations of \$103.3 million federal funds
- ?? Medicaid drug rebate and third party collections of \$34 million in federal and state special revenue
- ?? Infant formula rebates in the Women, Infants, and Children (WIC) program of \$6.6 million federal funds

General Fund Changes

The 2003 biennium general fund appropriation increases a net of \$78.4 million over base budget expenditures. Significant adjustments approved by the legislature that impact the general fund are:

- ?? Medicaid caseload adjustments of \$141 million total funds, including \$34.5 million general fund
- ?? Provider rate increases of \$45.8 million total funds, including \$12.9 million general fund
- ?? Annualization of the Children's Health Insurance Program (CHIP) of \$20 million total funds, including \$3.8 million general fund
- ?? Changes due to HB 124 (the local government funding bill) of \$28.6 million general fund, with a reduction of \$27.3 million state special revenue
- ?? Movement of developmentally disabled individuals to community settings and continued support for the institutions of \$6.4 million total funds, \$3.8 million general fund
- ?? Support for increased state hospital population and community services, and planning for development of a new regional mental health system for \$4.8 million general fund (including funding for 33 FTE)
- ?? Foster care and subsidized adoption caseload increases of \$5.4 million total funds, \$3.1 million general fund
- ?? Annualization of fiscal 2001 provider rate increases of \$3.7 million total funds, including \$1.7 million general fund

The 2003 biennium general fund increase is offset by several general fund reductions with the two most notable being:

- ?? \$6 million for tobacco control and prevention
- ?? \$3.9 million of mental health services plan changes due to service reductions and eligibility limitations

The legislature also instituted several funding switches to offset general fund, appropriating about \$8 million in state special revenue and federal funds and reducing general fund a like amount. The two most significant of these were a \$4 million reduction in general fund match for mental health Medicaid benefits and an increase in state special revenue from the county nursing home intergovernmental transfer program, and a \$1.3 million offset in general fund mental health services costs with state special alcohol tax revenue.

Federal and State Special Revenue Changes

Federal and state special revenue appropriations increase \$461 million over the biennium. As noted earlier, a significant portion of this increase is related to inclusion of appropriations in HB 2 for existing expenditures that had been accounted for in ways other than the general appropriations act. The most significant proposals that add federal and state special revenue for new or expanded programs approved by the legislature are:

- ?? \$31.8 million for FAIM Phase II-R
- ?? \$23.2 million for Medicaid intergovernmental transfer programs
- ?? \$13.1 million for childcare services and the Child and Adult Food Care program
- ?? \$10.5 million for federal substance abuse block grant increases
- ?? \$7.8 million to expand Medicaid services to include outpatient chemical dependency services
- ?? \$4 million for services for the developmentally disabled
- ?? \$3 million for a Community Collaboration Project to recoup additional federal Title IV-E funds

FTE Changes

FTE increase a net of 113.74 positions in fiscal 2003. The most significant changes are:

- ?? 27.0 FTE to maintain a higher than expected population at the state hospital
- ?? 20.0 FTE that were eliminated in the fiscal 2001 budget but which are needed to support the current population at the Montana Developmental Center
- ?? 18.0 FTE to staff the new special care unit at the Montana Veterans' Home
- ?? 14.0 FTE to staff federal TANF, Child and Adult Food Care, employment and training, energy and commodity, and childcare functions in the Human and Community Services Division
- ?? 12.0 FTE to determine eligibility for CHIP and the state administered Mental Health Services Plan

- ?? 6.0 FTE to help determine the new regional mental health plan, develop community mental health service incentives, and help reduce the state hospital population
- ?? 6.25 FTE for child protective services including 1.0 FTE to coordinate a project to recoup additional federal funds
- ?? 5.0 FTE to continue the community incentive and local needs assessment for a chemical dependency federal block grant
- ?? 4.0 FTE for adult protective services

The FTE increase was partially offset by a reduction of 19.26 FTE that had been vacant for more than seven months. The legislature directed that funding for the vacant FTE could not be included in the present law budget for the 2005 biennium.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	2,696.84	2,815.09	2,798.83	(16.26)	2,827.34	2,810.58	(16.76)	
Personal Services	98,366,813	103,875,382	103,781,638	(93,744)	104,832,416	104,905,937	73,521	(20,223)
Operating Expenses	70,760,991	86,385,560	99,762,616	13,377,056	80,723,116	86,341,852	5,618,736	18,995,792
Equipment	793,242	987,645	987,645	0	928,382	928,382	0	0
Capital Outlay	6,356	6,356	6,356	0	6,356	6,356	0	0
Local Assistance	6,249	6,249	6,249	0	6,249	6,249	0	0
Grants	37,927,039	44,309,619	45,019,038	709,419	44,379,450	44,684,459	305,009	1,014,428
Benefits & Claims	558,364,221	750,651,406	765,505,974	14,854,568	772,022,310	800,687,031	28,664,721	43,519,289
Transfers	0	28,950	28,950	0	29,221	29,221	0	0
Debt Service	619,798	620,998	620,998	0	620,998	620,998	0	0
Total Costs	\$766,844,709	\$986,872,165	\$1,015,719,464	\$28,847,299	\$1,003,548,498	\$1,038,210,485	\$34,661,987	\$63,509,286
General Fund	228,813,863	252,154,995	262,958,769	10,803,774	261,428,081	273,103,341	11,675,260	22,479,034
State/Other Special	32,370,025	39,472,337	28,922,817	(10,549,520)	42,653,804	31,562,758	(11,091,046)	(21,640,566)
Federal Special	505,660,821	695,244,833	723,837,878	28,593,045	699,466,613	733,544,386	34,077,773	62,670,818
Total Funds	\$766,844,709	\$986,872,165	\$1,015,719,464	\$28,847,299	\$1,003,548,498	\$1,038,210,485	\$34,661,987	\$63,509,286

Executive Budget Comparison

The legislature approved an increase of \$63.5 million, including \$22.5 million general fund, above the Executive Budget request. The general fund increase was due almost solely to the passage and approval of HB 124, which changed the funding for public assistance and protective service costs from county funds to general fund. General fund in the department was increased by \$28.6 million over the biennium, and state special revenue was reduced by \$27.3 million to implement HB 124. The net general fund increase of \$1.3 million covers the pay plan appropriation authorized by HB 13, but funded from state special revenue in HB 13. Since HB 13 had already been transmitted to the Governor when the legislature considered the impact of HB 124, it appropriated the general fund pay plan increase in HB 2. Table 1 illustrates the funding shift that was created by the provisions of HB 124.

Excluding the impact of HB 124, the legislature reduced the executive general fund request by \$6.1 million. General fund reductions were due to funding switches to refinance general fund expenditures with state special revenue and federal funds as well as decreases in general fund executive budget requests. Major changes in the Executive Budget made by the legislature that resulted in general fund reductions include:

- ?? \$3.9 million in general fund in the Mental Health Services Plan, including service and eligibility reductions as well as executive and legislative revisions to projected caseload costs
- ?? \$1.1 million general fund, equivalent to a 1 percent reduction in personal services costs
- ?? \$0.8 million in support for the Operations and Technology Division
- ?? \$0.5 million net general fund in TANF maintenance of effort, with partially offsetting increases in general fund appropriations to increase childcare matching funds
- ?? \$0.3 million in funding for travel department-wide
- ?? \$0.3 million to expand financial eligibility for the Children's Health Insurance Program (CHIP)

The legislature used federal funds and state special revenue to offset general fund, without decreasing overall program expenditures. The most significant general fund offsets include:

- ?? \$5.9 million in federal TANF funds to offset general fund costs and to continue Title XX, Social Services Block Grant, federal funding for foster care that was instituted in the 2001 biennium but had been eliminated in the Executive Budget (The Executive Budget complied with federal regulation as it existed at the time of budget preparation. Federal regulations applying to part of the 2003 biennium were modified after the Executive Budget was prepared.)
- ?? \$4.0 million of state special revenue from the Medicaid intergovernmental transfer program for county nursing homes offset general fund in Medicaid mental health services
- ?? \$1.3 million of state special revenue offset general fund for the System for the Enforcement and Recovery of Child Support (SEARCHS)
- ?? \$1.3 million general fund offset through use of alcohol tax state special revenues for mental health services
- ?? \$1.0 million in state special revenue and federal funding offset general fund for foster care services

The legislature added general fund above the level requested by the executive in several areas. The increases were fully or partially offset by reductions in other areas. Those include:

- ?? \$1.0 million general fund for childcare benefits so all federal childcare matching funds available to the state may be obtained
- ?? \$1.0 million general fund to provide a 1 percent increase to providers of services to the developmentally disabled, reduce the developmental disabilities waiting list, and offset a base reduction for a change in the Medicaid matching rate
- ?? \$0.8 million general fund (\$1.6 million total funds) to raise direct care worker wages for persons assisting the developmentally disabled, which was offset by elimination of funding to support the elimination of the Medicaid assets test
- ?? \$0.2 million general fund (\$0.7 million total funds) to increase personal assistance direct care wages for persons assisting the physically disabled and aged

Division	Fiscal 2002		Fiscal 2003	
	General Fund	State Special	General Fund	State Special
Health Policy and Services	\$6,717,000	(\$6,717,000)	\$6,862,000	(\$6,862,000)
Human and Community Services	3,852,988	(3,356,606)	4,006,121	(3,376,187)
Child and Family Services	2,206,194	(2,172,078)	2,241,893	(2,135,314)
Operations and Technology	1,044,768	(1,037,443)	1,070,319	(1,055,626)
Quality Assurance	211,082	(204,359)	218,916	(205,400)
Director's Office	<u>93,333</u>	<u>(90,463)</u>	<u>96,915</u>	<u>(91,028)</u>
Total	<u>\$14,125,365</u>	<u>(\$13,577,949)</u>	<u>\$14,496,164</u>	<u>(\$13,725,555)</u>
General Fund in Excess of State State Special Revenue Reduction	\$547,416		\$770,609	

The legislature appropriated increases in federal and state special revenue that expanded reimbursement for services or increased program funding levels. The most significant increases are:

- ?? \$23 million for four Medicaid intergovernmental transfer programs
- ?? \$3 million for a community collaboration project that will use community funds to obtain additional federal reimbursement under Title IV-E of the Social Security Act
- ?? \$2 million for services to the developmentally disabled
- ?? \$2 million for services for seniors and physically disabled persons
- ?? \$1.5 million in Medicaid matching funds for services provided by schools

Other significant changes from the Executive Budget include:

- ?? Revision to the spending plan for TANF funds known as FAIM Phase II, now known as FAIM Phase II-R
- ?? Reductions in the appropriation for general fund MSHP costs with offsetting increases in appropriations for the Montana State Hospital and planning and implementation of a regional mental health system
- ?? Funding revisions in foster care and subsidized adoption caseload and rate increases

Agency Narrative

The legislature made several policy decisions that impacted which, and at what level, proposals for existing, new, or expanded services were funded. Legislative priorities funded include:

- ?? Direct care worker wages
- ?? Provider rate increases
- ?? Community services for the developmentally disabled
- ?? Continued support for low-income families leaving, and who have left, the welfare cash assistance program
- ?? Childcare services for low-income working families
- ?? Support for the Montana State Hospital and increased community services for adults with a serious and disabling mental illness
- ?? Staff and funding for planning and implementation of a regional mental health system
- ?? Service reductions and eligibility limitations for the MSHP program
- ?? Opportunities for refinancing or increasing federal revenue received by the state

Direct Care Worker and Provider Rate Increases

Table 2 shows the provider rate increases appropriated by the legislature. Provider rate increases total 1.8 percent of the agency general fund appropriation in fiscal 2002, rising to 3.1 percent of the total in fiscal 2003. The legislature added funds above the executive request to support wages for direct care workers and rate increases. (In addition to general fund, the legislature appropriated \$3 million of interest income from the tobacco trust income to support provider rate increases, discussed as follows).

Table 2
2003 Biennium Provider Rate Increases*

Division and Provider Rate Increase	Fiscal 2002 Appropriation			Fiscal 2003 Appropriation			Biennium Total		
	General Fund	Total Funds	Percent Increase	General Fund	Total Funds	Percent Increase	General Fund	Total Funds	Percent of Total
<u>Child and Family Services Division</u>									
Family Foster Care	\$488,552	\$751,619	4.30%	\$492,634	\$757,898	0.00%	\$981,186	\$1,509,517	3.3%
Subsidized Adoption	124,350	240,988	2.80%	125,176	242,589	0.00%	249,526	483,577	1.1%
Foster Care Facilities	213,938	115,198	2.80%	215,148	115,849	0.00%	429,086	231,047	0.5%
Subtotal CFSD	\$826,840	\$1,107,805		\$832,958	\$1,116,336		\$1,659,798	\$2,224,141	4.8%
<u>Health Policy and Services Division</u>									
Ambulance Services	\$90,267	\$332,842	35.00%	\$92,667	\$343,466	0.00%	\$182,934	\$676,308	1.5%
Dental Services	47,822	995,671	20.00%	355,529	1,344,748	0.00%	403,351	2,340,419	5.1%
Non-hospital Services	252,524	931,138	2.50%	506,681	1,877,986	2.50%	759,205	2,809,124	6.1%
Hospital Services	113,000	1,146,046	1.85%	137,504	2,385,050	1.85%	250,504	3,531,096	7.7%
Subtotal HPSD	\$503,613	\$3,405,697		\$1,092,381	\$5,951,250		\$1,595,994	\$9,356,947	20.4%
<u>Disability Services Division</u>									
Provider Wage Parity (DD)	\$1,551,313	\$3,047,801	9.30%	\$2,445,300	\$4,810,021	5.40%	\$3,996,613	\$7,857,822	17.1%
Provider Rate Increase (DD)**	311,259	613,180	1.00%	310,758	612,193	0.00%	622,017	1,225,373	2.7%
Provider Rate Increase (VR)	27,769	130,371	2.50%	56,649	265,956	2.50%	84,418	396,327	0.9%
Tuition Increase (VR)	27,768	177,436	4.00%	252,270	401,938	4.00%	280,038	579,374	1.3%
Subtotal DSD	\$1,918,109	\$3,968,788		\$3,064,977	\$6,090,108		\$4,983,086	\$10,058,896	21.9%
<u>Senior and Long-Term Care Division</u>									
Nursing Homes	\$544,641	\$4,603,318	4.50%	\$1,537,430	\$9,460,855	4.50%	\$2,082,071	\$14,064,173	30.6%
Home Based, Community Waiver, Aging Services	82,521	304,282	1.50%	167,811	621,984	1.50%	250,332	926,266	2.0%
Personal Care Assistants	401,931	1,080,114	3.00%	638,676	2,367,220	3.00%	1,040,607	3,447,334	7.5%
Subtotal SLTC	\$1,029,093	\$5,987,714		\$2,343,917	\$12,450,059		\$3,373,010	\$18,437,773	40.1%
<u>Addictive and Mental Disorders Division</u>									
Medicaid Mental Health	\$91,457	\$891,098	1.40%	\$472,749	\$2,722,333	2.80%	\$564,206	\$3,613,431	7.9%
Psychiatrists	119,782	354,582	25.00%	137,467	408,517	0.00%	257,249	763,099	1.7%
Mental Health Services Plan	136,315	166,336	1.40%	432,635	524,072	2.80%	568,950	690,408	1.5%
Frontier County Services	0	391,428	20.00%	0	402,388	0.00%	0	793,816	1.7%
Screening/Treatment	2,493	3,035	1.40%	7,539	9,367	2.80%	10,032	12,402	0.0%
Subtotal AMDD	\$350,047	\$1,806,479		\$1,050,390	\$4,066,677		\$1,400,437	\$5,873,156	12.8%
Department Total	\$4,627,702	\$16,276,483		\$8,384,623	\$29,674,430		\$13,012,325	\$45,950,913	100.0%
Total DPHHS Appropriation	\$262,958,769	\$1,015,719,464		\$273,103,341	\$1,038,210,485				
Rate Increases as % of Total	1.8%	1.6%		3.1%	2.9%				

*Medicaid intergovernmental transfer programs are not included in this table because the legislature considers transfer payments to be one time and not continuing provider rate increases.

**The legislature provided an additional \$500,000 per year general fund to the Disability Services Division. Among the items the division plans to fund with this additional \$500,000 general fund is a 1 percent provider rate increase in the first year of the 2003 biennium.

Appropriation of Interest Income from the Tobacco Settlement Trust

The legislature accepted the executive request to fund part of the Medicaid provider rate increases with interest income from the tobacco settlement trust. Table 3 shows the appropriation by type of Medicaid service.

Table 3
Tobacco Settlement Trust Interest Income
Appropriated for Medicaid Provider Rate Increases

Provider Rate/ Service	Fiscal 2002	Fiscal 2003	Biennial Total	Percent of Total
Nursing Homes	\$703,779	\$1,015,108	\$1,718,887	56.2%
Hospitals	197,808	505,983	703,791	23.0%
Dental	222,204	0	222,204	7.3%
Mental Health	<u>150,209</u>	<u>261,736</u>	<u>411,945</u>	<u>13.5%</u>
Total	<u>\$1,274,000</u>	<u>\$1,782,827</u>	<u>\$3,056,827</u>	<u>100%</u>
Fiscal 2001 - 2003 Interest Income - HJR 2			\$2,926,800	
Appropriation Over (Under) Revenue			<u>\$130,027</u>	

The majority of interest income is appropriated to nursing homes. About a fifth of the interest is appropriated to hospitals. Dental and mental health services receive the balance of the appropriation.

Revenue estimates were updated by the legislature, including those for tobacco trust income. The estimates included in HJR 2 include \$2,926,800 of interest income from the trust. This income includes interest generated in fiscal 2001 through fiscal 2003. The biennial appropriation is \$3,056,827, which is \$130,027 more than estimated to be available.

The legislature added language directing that if the interest income on the tobacco settlement trust fund is insufficient to fully fund the state special

revenue appropriations for provider rate increases, the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include, but are not limited to, enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

Provider Rate Information Required by HB 2 Language

The legislature adopted language in HB 2 directing the department to provide specific information by program about rates paid by various providers to direct care workers who perform comparable duties. The information is to be given to the Children, Families, Health, and Human Services Interim Committee and the Legislative Finance Committee by August 2002. The legislature requested the information based on the varying provider rate increases requested by the executive, changes made by the legislature, and concerns that rates paid for similar or comparable services may vary among service systems and within the same locality. The information provided should aid also in determining whether funds appropriated for direct care worker wage increases were used for that purpose in compliance with conditions attached to appropriations.

Medicaid Appropriations

Total Medicaid services appropriations increase \$269 million, including \$58 million general fund, from the fiscal 2000 base budget expenditures to fiscal 2003 appropriated levels. The largest increase funds caseload growth, pharmacy inflation, and service utilization changes, which added \$141 million over the biennium. The legislature authorized \$23 million for Medicaid intergovernmental transfer programs funded with federal and state special revenue funds. Appropriations of \$34 million state special revenue and federal funds were added to fund expenses previously offset by rebates using drug rebate and third party liability revenues, and \$4 million in county intergovernmental transfer state special revenue was used to offset \$4 million general fund in the mental health Medicaid services appropriations. Finally, the legislature appropriated \$9 million in additional federal authority to match Medicaid eligible services provided by schools and to offset the general fund cost or augment existing services without increasing general fund expenditures in the Disabilities Services and Senior and Long-Term Care divisions.

Table 4
2003 Biennium Medicaid Appropriation *

Division/Benefit**	Fiscal 2000 Base*		Fiscal 2002		Fiscal 2003		Percent of Total
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	
Health Policy and Services Division							
Non-Hospital**	\$20,950,259	\$107,750,258	\$30,681,456	\$127,535,381	\$31,245,720	\$130,774,966	22.5%
Hospital	16,901,535	60,778,492	23,556,187	91,682,248	27,473,738	108,309,231	18.6%
Medicare Buy-In	2,408,814	8,623,051	2,485,019	9,163,051	6,819,961	9,403,051	1.6%
Indian Health Servs	0	20,538,915	0	21,538,915	0	21,588,915	3.7%
Subtotal Health Policy	<u>\$40,260,608</u>	<u>\$197,690,716</u>	<u>\$56,722,662</u>	<u>\$249,919,595</u>	<u>\$65,539,419</u>	<u>\$270,076,163</u>	<u>46.5%</u>
Senior Long-Term Care Division							
Nursing Homes***	\$28,224,661	\$98,768,341	\$27,940,976	\$119,725,299	\$28,398,608	\$126,463,481	21.8%
Home Based Services	5,112,868	18,346,475	6,719,679	24,777,577	7,298,781	27,052,562	4.7%
Community Waiver	3,853,334	13,852,981	5,559,771	20,500,630	5,865,192	21,739,038	3.7%
Institutional Reimbursement	0	13,849,204	0	11,188,837	0	11,449,343	2.0%
Subtotal Senior/Long-Term	<u>\$37,190,863</u>	<u>\$144,817,001</u>	<u>\$40,220,426</u>	<u>\$176,192,343</u>	<u>\$41,562,581</u>	<u>\$186,704,424</u>	<u>32.1%</u>
Addictive and Mental Disorders							
Mental Health****	\$14,960,489	\$50,730,906	\$16,082,466	\$71,007,270	\$17,098,575	\$75,908,334	13.1%
Chemical Dependency	0	0	161,549	4,244,168	148,697	5,454,905	0.9%
Subtotal AMDD	<u>\$14,960,489</u>	<u>\$50,730,906</u>	<u>\$16,244,015</u>	<u>\$75,251,438</u>	<u>\$17,247,272</u>	<u>\$81,363,239</u>	<u>14.0%</u>
Disability Services Division							
Developmental Disability*****	<u>\$10,192,618</u>	<u>\$35,375,271</u>	<u>\$12,142,545</u>	<u>\$44,081,120</u>	<u>\$13,624,812</u>	<u>\$42,972,502</u>	<u>7.4%</u>
Services							
Total	<u>\$102,604,578</u>	<u>\$428,613,894</u>	<u>\$125,329,648</u>	<u>\$545,444,496</u>	<u>\$137,974,084</u>	<u>\$581,116,328</u>	100.0%
2000 General Fund Base			\$102,604,578		\$102,604,578		
Compounded Annual Growth Rate			10.5%		10.4%		
2003 Biennium Increase Over Base Budget Expenditures					\$58,094,576	\$269,333,036	
*This information is based on fiscal 2000 expenditures and 2003 biennium appropriations in the statewide budget system.							
**Non-hospital primary care expenditures include \$9.2 million in state special revenue from the pharmacy rebate program.							
***Nursing home services include a \$350,000 annual contract for nurse aide testing.							
****Mental health services do not include the supplemental appropriation requested in fiscal 2000.							
*****Fiscal 2002 federal funds included a \$4.0 million biennial appropriation of additional federal authority.							

Medicaid costs are entering an inflationary cycle nationally and Montana is no exception. Table 4 shows that the general fund appropriation is increasing at compounded annual growth rates of 10.5 and 10.4 percent, compared to increases of 2 to 4 percent in the 2001 biennium. General fund cost growth is accelerating despite the reduction in state matching rates from 27.84 percent in fiscal 2000 to 26.98 percent in fiscal 2003.

Medicaid Intergovernmental Transfer Programs

The legislature approved four Medicaid intergovernmental transfer programs for county funded facilities that provide hospital, nursing home, chemical dependency, and mental health Medicaid services. Final federal rules published January 12, 2001 govern Medicaid intergovernmental transfer payments made to non-state owned public facilities that provide Medicaid services. The rules establish an upper payment limit, require that no more than 60 percent of Medicaid matching funds be provided by local governments, and do not specify how federal Medicaid funds recouped through an intergovernmental transfer must be spent.

An intergovernmental transfer program can be used to raise reimbursement rates paid to county owned facilities. A county pays the state the non-federal share of Medicaid reimbursement for Medicaid eligible services provided by a

county funded facility. The state uses the county match to draw down federal Medicaid funds and returns a payment, including the county matching funds, to the county for Medicaid services.

The aggregate amount that can be paid under an intergovernmental program is based on an upper payment limit established in federal rule and measured across a class of facilities, such as nursing homes, for all Medicaid eligible services. The state can choose how much of the transfer payment a county may keep as part of the contract to authorize the intergovernmental transfer. The state can require counties to return part of the total payment as a condition of participation in the intergovernmental transfer.

Table 5 shows the intergovernmental transfer appropriations authorized by the legislature. In all cases, the legislature appropriated the funds as one-time payments or grants. The transfer income was not rolled into ongoing rate structures in case the federal rules are later amended. The legislature wanted to avoid potential cost shift to the general fund.

Service	2003 Biennium	
	County Funds	Total Funds
Nursing Homes	\$5,081,660	\$18,789,157
Hospitals	533,669	1,972,898
Chemical Dependency	507,000	1,617,386
Mental Health	<u>214,719</u>	<u>793,816</u>
Total	<u>\$6,337,048</u>	<u>\$23,173,257</u>

Nursing Home Intergovernmental Transfer Program

The largest Medicaid intergovernmental transfer program is for county funded nursing homes. The legislature appropriated the maximum amount possible given the upper payment limit constraint. If all counties that support nursing homes choose to participate at the maximum level, nursing home intergovernmental transfer payments would equal \$19 million over the biennium. The legislature anticipated that the state would allow participating counties to retain double the amount of their contribution and would require participating counties to transfer the remainder back to the state. Under optimum conditions:

- ?? All counties would participate at the maximum allowable amount - providing \$5 million county funds over the biennium
- ?? The state would pay counties \$19 million over the biennium
- ?? Counties would keep \$10 million (doubling their funds) and return \$9 million to the state

The legislature appropriated \$4 million of the amount returned by counties to the state to offset general fund appropriated in the mental health Medicaid services program. The legislature appropriated the remainder (about \$5 million) that was returned by counties for one-time payments to all nursing homes.

All of the other intergovernmental transfer programs (hospitals, chemical dependency, and mental health) anticipate returning all Medicaid generated funds to participating counties.

Community Services for the Aged and Disabled and U.S. Supreme Court Olmstead Decision

In June 1999 the U.S. Supreme Court issued a decision in the case of Olmstead v. L.C. The U.S. Supreme Court responded to the fundamental question of whether it is discrimination to deny people with disabilities services in the most integrated setting appropriate. Based upon the Olmstead decision, states are required to provide community based services for persons with disabilities who would otherwise be entitled to institutional services when: 1) the state's treatment professionals determine that such placement is appropriate; 2) the affected persons do not oppose such treatments; and 3) the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services. The court cautioned that nothing in existing federal law condones termination of institutional settings for persons unable to handle or benefit from community settings.

The legislature considered the impact of the U. S. Supreme Court decision in the Olmstead case on the operations of DPHHS. This decision affects several divisions within DPHHS. The most significant initial impacts are expected in the Disability Services, the Addictive and Mental Disorders, and the Senior and Long-Term Care Divisions. The budget approved by the legislature includes additional funding for those three divisions to further compliance with the

requirements of the Olmstead decision. Additional discussion of the Olmstead decision is included in the Disability Services Division.

TANF Block Grant and Childcare

The legislature significantly changed executive proposals for the disbursement of federal TANF block grant funds and the second phase of welfare reform, FAIM Phase II. Historically, Montana's TANF grant award has been \$43 - \$45 million per year. At the end of fiscal 2000, Montana had an accumulation of unexpended TANF funds in excess of \$26 million (please refer to Table 10 in the Human and Community Services Division narrative).

While Montana is among the states that have large TANF reserves, many states have not fully expended their allotment of federal TANF funds. As the end of initial Congressional authorization of the TANF block grant nears, the future of TANF funding is uncertain. It is currently unknown if Congress will allow states to maintain unexpended reserves, or if Congress will reauthorize funding for TANF at the current level when reauthorization is acted on in 2002.

Due to uncertainties surrounding reauthorization of the TANF grant, the legislature chose to fully appropriate the grant, including all reserve funds, to support activities that will essentially be one-time-only expenditures. These appropriations became part of a proposal known as FAIM Phase II-R. Legislative priorities for the appropriation of TANF funds in FAIM II-R included:

- ?? Education and training leading to better paying jobs
- ?? Childcare
- ?? Transportation
- ?? Intensive services needed by some families to move from welfare to work

For further information on items included in the \$31.8 million appropriated as part of the second phase of welfare reform, FAIM Phase II-R, please refer to Table 11 in the Human and Community Services Division narrative.

The legislature implemented reductions of approximately \$1.7 million in general fund TANF maintenance of effort and support for the food stamp issuance contract in the Human and Community Services Division. The legislature appropriated about \$1.0 million of the \$1.7 million general fund reduction as matching funds to draw down the maximum federal childcare funds that are available to the state under the Childcare Development Fund grant.

CHIP Federal Block Grant

The legislature appropriated sufficient general fund to maintain CHIP at the fiscal 2001 enrollment of 9,251, expand the CHIP program to include mental health services provided under MHSP, and maintain financial eligibility at 150 percent of the federal poverty level. The legislature did not accept the executive proposal to increase CHIP financial eligibility to 160 percent of the federal poverty level and the legislature did not increase funding to offset potential inflationary increases in the CHIP premium. Depending on the premium cost for CHIP that is determined for the 2003 biennium, the numbers of children enrolled will change.

CHIP is funded from a federal block grant requiring a state match based on a percent of the state Medicaid match rate. In the 2003 biennium, the CHIP state match rate is 18.99 percent in fiscal 2002 and 18.89 percent in fiscal 2003. The state has three years in which to spend each grant allotment and unexpended amounts revert to the federal government.

Table 6 shows the federal CHIP grant amounts, 2001 biennium expenditures, 2003 biennium appropriations, and block grant balances through the 2005 biennium if the CHIP program is maintained at fiscal 2003 levels. Administrative costs for CHIP are limited to 10 percent of expenditures.

Table 6
Allocation of CHIP Federal Grant
Department of Public Health and Human Services

Fiscal Year*	Total Grant	Estimated Reallocation of Reversion**	Admin.	CHIP Insurance	Mental Health Services	Total Costs	Net Annual Activity	Amount Reverted**	Carry Over Cumulative
1998	\$11,740,395	\$0	\$0	\$0	\$0	\$0	\$11,740,395	\$0	\$11,740,395
1999	11,684,948	0	59,936	538,004	0	597,940	11,087,008	0	22,827,403
2000	13,173,122	0	428,796	4,558,617	0	4,987,413	8,185,709	5,469,735	25,543,377
2001	15,169,315	4,425,898	1,163,395	9,619,509	2,014,445	12,797,349	6,797,864	1,620,893	30,720,349
2002	15,169,315	1,311,564	1,293,848	10,585,395	2,353,082	14,232,325	2,248,553	0	32,968,902
2003	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	33,828,476
2004	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	34,688,050
2005	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	35,547,625
2006	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	36,407,199
2007	15,169,315	0	1,300,886	10,597,915	2,410,940	14,309,741	859,574	0	37,266,774

*The grant amounts are based on federal fiscal year, while expenditures are based on the state fiscal year. Expenditures in fiscal 2001 are based on the May budget status report issued by DPHHS and fiscal 2002 and 2003 expenditures are based on amounts appropriated by the legislature, not including the pay plan. Costs after fiscal 2003 are based on the fiscal 2003 appropriation and are listed for information purposes only.

**The reallocation of reverted CHIP grant is the actual amount for fiscal 2001 and estimated for fiscal 2002. As of May 22, 2001 DPHHS had not estimated whether it would revert funds from the fiscal 2000 CHIP grant.

Grant amounts for fiscal 1998 through 2002 are based on actual amounts, while expenditures and reversions for fiscal 1998 through 2000 are based on actual amounts. Expenditures and reversions for fiscal 2001 are based on the May budget status report prepared by DPHHS, and expenditures for fiscal 2002 and 2003 are based on HB 2 appropriated amounts, not including the pay plan.

Depending on the ongoing federal grant amount received by the state, the fiscal 2002 CHIP appropriation will be slightly lower than the annual grant amount. As of late May 2001, DPHHS had not estimated whether it would revert federal funds from the fiscal 2000 CHIP grant.

Reversion of CHIP Grant

In fiscal 2000, Montana reverted \$5.5 million of unspent CHIP grant. Congress reallocated reverted grant amounts first to states that had fully expended their grants and second to states that had not. Montana was reallocated \$4.4 million of the reverted amount, which must be expended by September 30, 2002. The amount of estimated reversion from the 1999 grant amount is \$1.6 million and the estimated reallocation is \$1.3 million.

During the session, legislators requested information on potential expansions of the CHIP program, similar to the expansion to cover mental health services, in order to offset current general fund costs and to ensure that the CHIP grant was fully expended. Legislators reviewed information on expanding CHIP to cover physical health services fully funded from the general fund and provided to children who are developmentally disabled.

Information provided by DPHHS indicated that the number of developmentally disabled children also eligible for CHIP was quite small. However, the bigger barrier is the inability to establish rational criteria to ensure that only children who are developmentally disabled would have access to the services. The mental health expansion was limited to children who are diagnosed with a serious emotional disturbance; however, the designation of developmental disability is not always a medical condition or medical diagnosis. Therefore, any special or additional services provided to children who were

developmentally disabled would also have to be provided to all CHIP eligible children, negating any potential general fund savings sought by the legislature.

2001 Biennium Supplemental Appropriation

The legislature approved a \$60.4 million, including \$15.9 million general fund, supplemental appropriation for DPHHS. Table 7 shows the supplemental appropriation by program area.

Table 7 Supplemental Appropriation - 2001 Biennium				
Program Area Cost Over-Run	General Fund	Federal Funds	Total	Percent of Total
Mental Health Services	\$11,399,341	\$32,549,140	\$43,948,481	72.8%
Medicaid Physical Health Servcs	4,437,807	11,965,517	16,403,324	27.2%
Court Settlement	21,545	0	21,545	0.0%
Total	<u>\$15,858,693</u>	<u>\$44,514,657</u>	<u>\$60,373,350</u>	<u>100.0%</u>

Mental health services was the most significant component, accounting for nearly 3/4ths of the total supplemental. Cost over-runs in Medicaid physical health services were about 27 percent. A small general fund appropriation covered a court settlement. The supplemental appropriation and mitigation plans are discussed in more detail in the narrative for Health Policy and Services and the Addictive and Mental Disorders Divisions.

Supplemental Appropriation Mitigation Plan

The legislature accepted the executive plan to mitigate the 2001 biennium supplemental appropriation for DPHHS. The significant elements of the plan are:

- ?? Eliminate partial hospitalization for all persons and eliminate case management and care coordination for children in the state-administered Mental Health Services Plan (MHSP) effective March 1, 2001
- ?? Offer a reduced array of services (Children's Basic Mental Health Services) - predominantly in-home and community services - for children who are not eligible for CHIP effective March 1, 2001
- ?? Fund the Basic Mental Health Services for children not eligible for CHIP with general fund currently supporting the state maintenance of effort for the federal TANF block grant retroactively from January 1, 2001 through the 2003 biennium
- ?? Change out-of-state hospital reimbursement and several components of reimbursement to all hospitals in the physical health Medicaid program
- ?? Offset \$4 million of Medicaid cost overruns with nursing home intergovernmental transfer revenue
- ?? Reduce 2003 biennium cost projections for MHSP by \$3.8 million general fund
- ?? Offset \$2.9 million of mental health services cost over-runs with increased Medicare reimbursement to the general fund for state hospital services
- ?? Offset \$1.3 million of general fund mental health services costs with state special revenue alcohol tax funds from fiscal 2001 through the 2003 biennium
- ?? Offset \$0.4 million of general fund with increased federal mental health block grant funds
- ?? Appropriate \$2.6 million general fund and funding for 6.0 FTE for increased costs of the Montana State Hospital, community mental health services, and planning to implement a regional mental health system

Federal Poverty Level Index

Table 8 shows the 2001 federal poverty level index by family size for various levels of poverty. The index is published each calendar year and updated in February or March. The index has increased 2 to 5 percent annually over the last several years.

Throughout the DPHHS appropriation summary there are references to program financial eligibility based on an established level of poverty. The levels of poverty shown in Table 8 reflect most of the financial eligibility levels for DPHHS programs. CHIP financial eligibility is currently 150 percent of the federal poverty level. Financial eligibility for some Medicaid programs for low-income children and pregnant women is established at 133 percent and 100 percent of the federal poverty level. MHSP financial eligibility is established at 150 percent of the poverty level. Chemical dependency services are provided to individuals with incomes below 200 percent of the federal poverty level. Eligibility for cash assistance benefits in the Families Achieving Independence in Montana (FAIM) program is established at 95.5 percent of the federal poverty level.

Language

The department shall provide the following information by program to the Children, Families, Health and Human Services Interim Committee and to the Legislative Finance Committee by August 1, 2002:

- 1) rates paid by each program for comparable services; and
- 2) entry level and average hourly wage and benefit rates paid by community providers for direct care workers and group home employees.

The information must specify how the data was gathered, whether and how the department verified the data, and must be presented to allow evaluation among comparable services and jobs.

Funds appropriated, or indicated in legislative intent as having been appropriated, for grants or benefits and claims may be expended only as grants or benefits and claims. The office of budget and program planning may authorize a transfer of appropriation authority from grants or benefits and claims to another category of expenditure under one of the following conditions:

- 1) the department certifies to the Office of Budget and Program Planning that federal law or regulations require that funds appropriated in grants or benefits and claims must be expended in a different category of expenditure;
- or,
- 2) the department certifies to the Office of Budget and Program Planning that there will be savings if funds appropriated in grants or benefits and claims are transferred and expended in another category of expenditure.

The Office of Budget and Program Planning shall report to the Legislative Finance Committee on transfers approved subject to these two conditions.

Items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include, but are not limited, to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

Table 8
2001 Federal Poverty Index
Levels of Poverty by Family Size

Family Size	Poverty Level*----->			
	100%	150%	175%	200%
1	\$8,590	\$12,885	\$15,033	\$17,180
2	11,610	17,415	20,318	23,220
3	14,630	21,945	25,603	29,260
4	17,650	26,475	30,888	35,300
5	20,670	31,005	36,173	41,340
6	23,690	35,535	41,458	47,380
7	26,710	40,065	46,743	53,420
8	29,730	44,595	52,028	59,460
Each Additional Person	\$3,020	\$4,530	\$5,285	\$6,040

*The poverty level is updated annually and historically has increased from 2 to 5 percent.

Item [Operations and Technology Division] includes a reduction of general fund of \$158,038 in fiscal 2002 and \$158,038 in fiscal 2003. This reduction is the equivalent of a 15 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Operations and Technology Division] includes a reduction of \$542,660 general fund in fiscal 2002, and \$544,550 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Other Legislation

Major bills that affect DPHHS are summarized. Some of the bills are discussed in more detail in conjunction with the programs they impact.

House Joint Resolution 1 - HJR 1, recommended by the Legislative Finance Committee (LFC) from its 2001 interim mental health study, directed the LFC to undertake a study of public mental health services during the 2003 biennium. The study will be conducted by a subcommittee of the LFC, Legislative Audit Committee, Children, Families, Health, and Human Services, Law, Justice, and Indian Affairs, and State Administration, Public Retirement Systems, and Veterans' Affairs interim committees. The study will monitor the continued development of appropriate and effective community services to serve persons in the least restrictive environment, the cost-effective provision of services, and the use of best practices, including the evolution of more sophisticated case management, issues of commitment to community facilities, programs, and treatment and involuntary medication identified in the 1999-2000 interim process, and issues of mental health services with respect to corrections and veterans' affairs.

House Bill 5 - HB 5 appropriated funds for capital projects. DPHHS received three appropriations for improvements to institutions. The legislature appropriated \$300,000 long-range building funds for a cooling system for the Montana Mental Health Nursing Care Center. HB 5 also appropriates state special revenue from cigarette tax proceeds allocated to Montana Veterans' Home: The Montana Veterans' Home received \$1,179,274 for ongoing costs of construction of the special care unit and \$187,530 for other capital improvements; and \$290,250 was allocated to the Columbia Falls Veterans' Home for capital improvements. Originally, the executive requested \$41 million for construction of a new office building for DPHHS, which was not approved.

House Bill 10 - HB 10 appropriates oil overcharge money in biennial appropriations, including appropriations to the department of:

- ?? \$15,000 for the Montana Food Bank Network to be used for transportation of food
- ?? \$11,000 for grants to Area Agencies on Aging to provide transportation for seniors to nutrition sites
- ?? \$229,000 for the Weatherization program
- ?? \$300,000 of which \$90,000 is to be contracted to Energy Share to address home heating emergencies and \$210,000 allocated 30 percent to Energy Share and 70 percent to the Weatherization program

House Bill 38 - This bill provides that the department may purchase surplus state vehicles for purchase by recipients of TANF funded services and establishes criteria for vehicle purchase by TANF recipients. FAIM Phase II-R includes \$791,899 for transportation, which could be used to purchase vehicles.

House Bill 124 - HB 124 transferred administration of public welfare programs to DPHHS and provided that the program costs of both public welfare and child welfare functions be funded from the general fund instead of county funds. Due to the fiscal impact of HB 124, general fund was increased by \$28.6 million over the biennium and state special revenue was reduced by \$27.3 million.

House Bill 273 - This bill provided for the transfer of almost \$3.5 million of TANF funds to the affordable housing revolving loan fund and clarifies the use of these funds.

House Bill 353 - This bill provides that schools wishing to operate a school breakfast program may apply to the Office of Public Instruction for funding of start-up costs.

House Bill 456 - HB 456 expanded Medicaid eligibility to individuals under the age of 65 who require treatment of breast or cervical cancer or both, or for a pre cancerous condition of either the breast or cervix and who is not eligible under other mandatory medically needy category of eligibility. The individual must have been screened under the Montana breast and cervical health program established under Title XV of the Public Health Service Act. Since financial eligibility for the screening program is established at 200 percent of the federal poverty level, this category of Medicaid eligibility will also cover persons with incomes up to 200 percent of the federal poverty level. HB 456 appropriates \$129,270 general fund in fiscal 2002 and \$258,540 general fund in fiscal 2003 to match federal Medicaid funds for this program. HB 456 directs that the department consider using income from the tobacco settlement trust fund to pay for ongoing state Medicaid match for the program in its 2005 biennium budget request.

House Bill 468 - HB 468 created a hearing-screening program for newborn infants to provide early detection of hearing loss. HB 468 directs DPHHS to implement the program to encourage a hearing-screening test for all newborn infants to be completed before hospital discharge or no later than three months after birth. HB 468 appropriates \$100,000 over the biennium from the telephone line state special revenue that funds the Montana Telecommunications Access Program to purchase newborn hearing screening equipment.

House Bill 526 - This bill establishes a summer youth employment program. HB 2 includes language that if (based upon the department report to the Legislative Finance Committee in March 2002) there are unexpended TANF funds for which there is no expenditure plan, \$1.5 million of federal TANF funds are appropriated for this program.

House Bill 615 - This bill revised TANF maintenance of effort and reduced the statutory requirement for maintenance of effort from 77 percent to 75 percent. The reduction in the general fund maintenance of effort requirement is reflected in appropriations included in HB 2.

Senate Joint Resolution 2 - SJR 2, recommended by the LFC from its 2001 interim mental health study, supported the executive proposal to fund training for law enforcement and other persons who deal with persons with a serious and disabling mental illness. SJR 2 requested that DPHHS and the Department of Corrections coordinate and collaborate with the Department of Justice, the Montana Board of Crime Control, the Peace Officer Standards and Training Council, District Courts, courts of limited jurisdiction, the State Bar of Montana, the Community Mental Health Centers, and other mental health professionals to develop, coordinate, and integrate training on issues regarding mental illness and other co-occurring disorders that present themselves in persons at various stages of the criminal justice system. SJR found that such training is necessary to protect the rights of persons with mental illness, to provide appropriate treatment in the least restrictive setting, to protect all members of society, and to use the resources of local and state government in the most effective manner. The legislature appropriated \$135,270 in HB 2, including \$85,543 general fund and 1.0 FTE, to coordinate and structure such training.

Senate Joint Resolution 8 - SJR 8 requested a legislative interim study of the privatization of foster care and adoption services be completed by September 15, 2002. This resolution provides that the study may consider a number of items including payment and reimbursement issues and the impact of privatization on current state employees involved in foster care and adoption administration and services.

Senate Bill 77 - This bill revised laws governing public assistance, including the addition of provisions for a program of non-financial assistance as allowable within federal laws.

Senate Bill 82 - SB 82, recommended by the LFC from its 2001 interim mental health study, revised laws on public mental health system and managed care. SB 82 generally amended some provisions established by passage of SB 534 in the 1999 legislative session to deal with the end of the statewide mental health managed care act. In general SB 82:

- ?? Rescinded the requirement for a Medicaid managed care community network to meet the financial solvency and licensure requirements for an insurance company
- ?? Required DPHHS to ensure that prospective managed care contractors can bear the level of financial risk associated with a potential Medicaid managed care contract
- ?? Changed the definition of a managed care community network so it clearly excludes contractors for Medicaid services reimbursed on a fee-for-service basis
- ?? Repealed the requirements for DPHHS to incrementally implement mental health managed care and to hire a consultant for advice on mental health system requirements
- ?? Moved, but did not change statutes governing state administered public mental health services and the Mental Health Oversight Advisory Council to more appropriate areas of the MCA

Senate Bill 107 - SB 107, recommended by the LFC from its 2001 interim mental health study, establishes use of two-way electronic audio-video communication to be considered a hearing in open court. The audio-video communication must operate so that the respondent or patient, the respondent's or patient's counsel, and the judge can see each other simultaneously and converse with each other, so that the respondent or patient and the respondent's or patient's counsel can communicate privately, and so that the respondent or patient and counsel are both present during the two-way electronic audio-video communication. The court may not allow use of audio-video communication if a respondent or patient, the respondent's or patient's counsel, or the professional person object to two-way electronic audio-video communication in lieu of a court hearing in person. Precommitment costs related to the use of two-way electronic audio-video communication in the county of commitment must be paid by the county in which the person resides at the time that the person is committed. The costs of the use of two-way electronic audio-video communication from the state hospital for a patient who is under a voluntary or involuntary commitment to the state hospital must be paid by the state. The legislature appropriated \$15,990 general fund over the biennium in HB 2 to implement SB 107.

Senate Bill 108 - SB 108, recommended by the LFC from its 2001 interim mental health study, established Advanced Practice Registered Nurses (APRN) (masters-level) with a clinical specialty in psychiatric mental health nursing as "professional persons" for the purposes of the mental health laws, which allows them to testify in court proceedings and to order medication in a mental health facility.

Senate Bill 116 - This bill revised child abuse and neglect laws and included provisions:

- ?? Requiring an employee of an entity that contracts with the department to provide direct services to children report suspected cases of child abuse and neglect
- ?? Allowing the department to assess reports of abuse and neglect and make a determination regarding the level of response required and timeframe within which action must be initiated (this is a modification to the requirement that the department investigate all reports of abuse and neglect)
- ?? Clarifying language regarding payment for court ordered services including that the department must consent to the services and inform the court that resources are available to pay for services ordered by the court
- ?? Defining transitional living programs and providing the department authority to administer those programs
- ?? Specifying that the department shall require an applicant for a youth foster home license submit to a criminal and child protection background check

Senate Bill 132 - This bill: 1) provided for a safe haven for abandoned newborns; 2) provided that the department assume care, control, and temporary protective custody of the newborn; and 3) required the department establish a safe delivery program and the components of the program. The provisions of SB 132 are effective July 1, 2001 and terminate June 30, 2004.

Senate Bill 135 - SB 135, recommended by the LFC from its 2001 interim mental health study, revised mental health ombudsman laws. Some of the changes include:

- ?? Prohibiting the Ombudsman from providing legal advice
- ?? Requiring the Ombudsman to prepare an annual report
- ?? Attaching the Ombudsman to the Governor's Office rather than the Mental Disabilities Board of Visitors

Senate Bill 170 - This bill modifies child abuse and neglect laws and clarifies some court practices and timelines applicable to actions on child abuse and neglect cases.

Senate Bill 264 - SB 264 amended statutes governing the allocation to DPHHS of liquor license, and beer and wine taxes to a state special revenue fund for the purposes of prevention and treatment of alcoholism. This act implemented one of the executive proposals to mitigate the 2001 biennium supplemental appropriation. The amendments include allowing the use of funds for:

- ?? Treatment and prevention of chemical dependency
- ?? Treatment of mental illness for persons who are determined to have a serious and disabling mental illness as well as chemically dependent
- ?? Payment of services provided by for-profit state approved programs
- ?? SB 264 also:
- ?? Required DPHHS distribute at least \$1 million to counties prior to expending funds for persons with mental illnesses
- ?? Limited expenditures to treat persons with a mental illness to \$1.3 million for the biennium
- ?? Placed a sunset on use of funds to treat persons with a mental illness of July 1, 2003

House Bill 324 - HB 324 revised childcare licensing statutes to require the department to adopt rules for day-care centers that provide day care on an irregular basis. DPHHS must adopt rules for such day-care centers and issue and issue a license to a person to receive children into a day-care center on an irregular basis if the person chooses to apply for licensure.

Senate Bill 338 - SB 338 made several changes to statutes that govern the CHIP program. The most significant change allowed DPHHS to make direct payments for CHIP services to health care providers and to establish its own fee-for-services schedule for such providers. The change will allow DPHHS to fund mental health services through the state administered Mental Health Services Plan (MHSP) for children eligible for CHIP and MHSP. The executive initially requested that financial eligibility for CHIP be raised from 150 percent of the federal poverty level to 160 percent and included funding in the DPHHS budget request. The legislature did not approve the change in financial eligibility.

Senate Bill 339 - This bill generally revised the law governing public assistance, including how the state and counties will work together to administer public assistance programs.

Senate Bill 442 - This bill established a revolving loan fund for low-income individuals. Loans not to exceed \$8,000 may be provided to recipients of TANF funded services for:

- ?? Payment for job training expenses
- ?? Payment for home repair work for weatherization and energy conservation
- ?? Payment of short-term bills, excluding fines or bad debt
- ?? Payment for business startup costs or business inventory costs, excluding construction
- ?? Payment for gaps in loan payments for escrow costs, for the period before other loans are made, and for closing costs or costs for participating in other loan programs
- ?? Providing assistance

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	435.95	12.00	3.25	451.20	12.00	3.25	451.20	451.20
Personal Services	16,488,993	(57,354)	570,541	17,002,180	43,807	704,570	17,237,370	34,239,550
Operating Expenses	8,185,024	(879,003)	18,425,986	25,732,007	(964,977)	4,033,901	11,253,948	36,985,955
Equipment	111,077	0	0	111,077	0	0	111,077	222,154
Capital Outlay	6,356	0	0	6,356	0	0	6,356	12,712
Grants	15,085,953	1,300,000	56,271	16,442,224	1,700,000	56,271	16,842,224	33,284,448
Benefits & Claims	55,908,900	3,757,415	59,537,314	119,203,629	3,757,415	60,673,771	120,340,086	239,543,715
Transfers	0	0	28,950	28,950	0	29,221	29,221	58,171
Debt Service	44,855	0	0	44,855	0	0	44,855	89,710
Total Costs	\$95,831,158	\$4,121,058	\$78,619,062	\$178,571,278	\$4,536,245	\$65,497,734	\$165,865,137	\$344,436,415
General Fund	19,601,819	(635,175)	2,773,615	21,740,259	(651,890)	3,090,614	22,040,543	43,780,802
State/Other Special	3,484,798	(127,065)	(3,356,606)	1,127	(107,482)	(3,376,187)	1,129	2,256
Federal Special	72,744,541	4,883,298	79,202,053	156,829,892	5,295,617	65,783,307	143,823,465	300,653,357
Total Funds	\$95,831,158	\$4,121,058	\$78,619,062	\$178,571,278	\$4,536,245	\$65,497,734	\$165,865,137	\$344,436,415

Program Description

The Human and Community Services Division is comprised of three bureaus: 1) Public Assistance; 2) Early Childhood Services; and 3) Intergovernmental Human Services.

The Public Assistance Bureau administers Montana's welfare reform initiative, known as FAIM (Families Achieving Independence in Montana). The bureau also provides eligibility services for Medicaid, CHIP (Children's Health Insurance Program), and food stamps.

The Early Childhood Bureau: 1) manages the funds which pay for childcare for FAIM participants and low-income working families; 2) contracts with 12 resource and referral agencies to administer childcare eligibility, provider recruitment, and technical assistance; and 3) administers the Child and Adult Care Food Program, which provides reimbursement to providers for the cost of meals served to eligible children.

The Intergovernmental Human Services Bureau administers: 1) the Community Services Block Grant, which is used by ten Human Resource Development Councils to provide a wide range of community-based human services; 2) the Low-Income Energy Assistance Program and weatherization program; 3) five other weatherization programs; 4) the Emergency Shelter Grants program; and 5) U. S. Department of Agriculture (USDA) commodities programs. The bureau stores and distributes USDA commodity foods to a wide range of recipients.

Statutory authority for the program is provided in Title 53, Chapter 2, MCA, and 45 CFR.

Program Narrative

The major program functions of the division and their funding are summarized in Table 9. Public assistance programs, including cash assistance, employment and training, and food stamps comprise the largest share of the division's funding. These three items, not including related administrative costs, comprise 61.0 percent of the division's funding. When eligibility determination costs for FAIM, Food Stamps, and Medicaid are added to the total for benefits and services, public assistance related programs comprise 66.1 percent of the funding for the division. The next largest function of the division is Early Childhood Services, including childcare and the Child and Adult Care Food Program. Early Childhood Services comprises 25.1 percent of the division's funding.

Table 9
Human and Community Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2000 Base Budget				Fiscal 2002 Appropriation				Fiscal 2003 Appropriation				Percent of
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	Division Total
Administration - Division	\$116,083	\$0	\$222,491	\$338,574	\$99,093	\$0	\$199,127	\$298,220	\$98,484	\$0	\$200,754	\$299,238	0.2%
Public Assistance													
Administration - Public Assistance	\$915,699	\$0	\$716,802	\$1,632,501	\$885,178	\$0	\$800,238	\$1,685,416	\$879,216	\$0	\$793,760	\$1,672,976	1.0%
Administration - County	5,681,459	3,074,959	8,416,290	17,172,708	4,999,592	0	3,095,158	8,094,750	3,700,120	0	3,115,040	6,815,160	4.1%
Cash Asst/Employment & Training	<u>10,538,591</u>	<u>406,001</u>	<u>22,214,085</u>	<u>33,158,677</u>	<u>13,046,058</u>	<u>1,127</u>	<u>103,101,982</u>	<u>116,149,167</u>	<u>14,332,981</u>	<u>1,129</u>	<u>86,762,702</u>	<u>101,096,812</u>	<u>61.0%</u>
Subtotal Public Assistance	<u>\$17,135,749</u>	<u>\$3,480,960</u>	<u>\$31,347,177</u>	<u>\$51,963,886</u>	<u>\$18,930,828</u>	<u>\$1,127</u>	<u>\$106,997,378</u>	<u>\$125,929,333</u>	<u>\$18,912,317</u>	<u>\$1,129</u>	<u>\$90,671,502</u>	<u>\$109,584,948</u>	<u>66.1%</u>
Percent of Total	33.0%	6.7%	60.3%	100.0%	15.0%	0.0%	85.0%	100.0%	17.3%	0.0%	82.7%	100.0%	
Energy and Commodity Assistance:													
Admin. - Energy and Commodities	\$32,702	\$3,838	\$3,052,195	\$3,088,735	\$31,878	\$0	\$3,868,223	\$3,900,101	\$31,933	\$0	\$3,873,379	\$3,905,312	2.4%
Benefits - Energy and Commodities	<u>76,000</u>	<u>0</u>	<u>9,761,480</u>	<u>9,837,480</u>	<u>76,085</u>	<u>0</u>	<u>11,417,608</u>	<u>11,493,693</u>	<u>76,086</u>	<u>0</u>	<u>10,588,192</u>	<u>10,664,278</u>	<u>6.4%</u>
Subtotal Energy and Commodity Asst.	<u>\$108,702</u>	<u>\$3,838</u>	<u>\$12,813,675</u>	<u>\$12,926,215</u>	<u>\$107,963</u>	<u>\$0</u>	<u>\$15,285,831</u>	<u>\$15,393,794</u>	<u>\$108,019</u>	<u>\$0</u>	<u>\$14,461,571</u>	<u>\$14,569,590</u>	<u>8.8%</u>
Percent of Total	0.8%	0.0%	99.1%	100.0%	0.7%	0.0%	99.3%	100.0%	0.7%	0.0%	99.3%	100.0%	
Early Childhood Services:													
Administration - Childcare	\$0	\$0	\$326,246	\$326,246	\$0	\$0	\$378,704	\$378,704	\$0	\$0	\$380,248	\$380,248	0.2%
Benefits - Childcare	2,357,070	0	16,875,455	19,232,525	2,701,468	0	21,391,734	24,093,202	3,020,207	0	25,131,355	28,151,562	17.0%
Quality - Childcare	0	0	2,074,092	2,074,092	0	0	2,074,092	2,074,092	0	0	2,074,092	2,074,092	1.3%
Head Start Collaborative	298	0	93,729	94,027	0	0	150,297	150,297	0	0	150,297	150,297	0.1%
Child and Adult Care Food Program	<u>0</u>	<u>0</u>	<u>9,214,167</u>	<u>9,214,167</u>	<u>0</u>	<u>0</u>	<u>10,551,856</u>	<u>10,551,856</u>	<u>0</u>	<u>0</u>	<u>10,954,400</u>	<u>10,954,400</u>	<u>6.6%</u>
Subtotal Early Childhood Services	<u>\$2,357,368</u>	<u>\$0</u>	<u>\$28,583,689</u>	<u>\$30,941,057</u>	<u>\$2,701,468</u>	<u>\$0</u>	<u>\$34,546,683</u>	<u>\$37,248,151</u>	<u>\$3,020,207</u>	<u>\$0</u>	<u>\$38,690,392</u>	<u>\$41,710,599</u>	<u>25.1%</u>
Percent of Total	7.6%	0.0%	92.4%	100.0%	7.3%	0.0%	92.7%	100.0%	7.2%	0.0%	92.8%	100.0%	
Total Human and Community Serv. Div.	<u>\$19,601,819</u>	<u>\$3,484,798</u>	<u>\$72,744,541</u>	<u>\$95,831,158</u>	<u>\$21,740,259</u>	<u>\$1,127</u>	<u>\$156,829,892</u>	<u>\$178,571,278</u>	<u>\$22,040,543</u>	<u>\$1,129</u>	<u>\$143,823,465</u>	<u>\$165,865,137</u>	<u>100.0%</u>
Percent of Total	20.5%	3.6%	75.9%	100.0%	12.2%	0.0%	87.8%	100.0%	13.3%	0.0%	86.7%	100.0%	

TANF

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 created the Temporary Assistance for Needy Families (TANF) block grant and replaced the former Aid to Families with Dependent Children (AFDC) program with the TANF program. This legislation marked the beginning of welfare reform at the federal level and the emphasis of moving families from welfare to work. Additionally, this legislation changed funding for welfare programs from an open ended entitlement program to a specified, limited amount of funding that would be available to the state as a block grant. Montana's welfare reform project, Families Achieving Independence in Montana (FAIM), began in February 1996 and FAIM became Montana's TANF program in February 1997.

The current authorization of the Temporary Assistance for Needy Families (TANF) grant expires in fiscal 2003 (September 2002) and the program will require reauthorization by Congress. It is unknown what will occur when Congress considers reauthorization during the summer and fall of 2002. However, the large surpluses of funds that have not been expended by many states may be an indication that unexpended funds will be reallocated and/or that TANF grants will be reduced when reauthorization occurs. Additionally, the reallocation of unexpended federal Children's Health Insurance Plan funds may be a further indication that unexpended federal funds will be reallocated to states that have fully expended their federal allocations.

Due to the uncertainty surrounding the continued availability of unexpended TANF funds and the precedence set by reallocation of federal CHIP funds, the legislature appropriated all available TANF funds in HB 2. Appropriations of TANF funds, as included in HB 2, would result in expenditure of all prior year unexpended federal TANF funds by the end of the 2003 biennium (Table 10).

Table 10
Temporary Assistance of Needy Families (TANF)
Summary of Federal Funds

Description	1997 Grant	1998 Grant	1999 Grant	2000 Grant	2001 Grant	2002 Grant*	2003 Grant*
<u>Summary of Federal Grant Funds</u>							
TANF Grant by State Fiscal Year	\$21,272,258	\$47,763,385	\$45,767,143	\$45,347,864	\$45,308,056	\$45,308,056	\$45,308,056
Less Fort Belknap Indian Community	0	0	0	0	(718,509)	(958,012)	(958,012)
Plus Performance Bonus	0	0	0	0	2,276,700	0	0
Revised TANF Grant by State Fiscal Year	<u>\$21,272,257</u>	<u>\$47,763,385</u>	<u>\$45,767,143</u>	<u>\$45,347,864</u>	<u>\$46,866,247</u>	<u>\$44,350,044</u>	<u>\$44,350,044</u>
Federal Expenditures by State Fiscal Year**	\$14,730,474	\$29,897,481	\$25,150,387	\$29,812,525	\$31,912,525	\$55,441,729	\$39,113,601
Transfer to CCDF	5,657,669	7,000,000	5,500,000	7,612,239	7,612,239	7,612,239	9,372,239
Transfer to Title XX	774,065	2,850,000	0	4,250,000	4,250,000	4,250,000	3,860,602
Total Federal Expenditures/Transfers	<u>\$21,162,208</u>	<u>\$39,747,481</u>	<u>\$30,650,387</u>	<u>\$41,674,764</u>	<u>\$43,774,764</u>	<u>\$67,303,968</u>	<u>\$52,346,442</u>
Annual Carry-over Funds	\$110,049	\$8,015,904	\$15,116,756	\$3,673,100	\$3,091,483	(\$22,953,924)	(\$7,996,398)
Cumulative Carry-over Funds		8,125,953	23,242,709	26,915,809	30,007,292	7,053,368	(943,030)
<u>Maximum Amount of Transfers:</u>							
Both Childcare and Title XX (30%)	\$6,381,677	\$14,329,015	\$13,730,143	\$13,604,359	\$14,059,874	\$13,305,013	\$13,305,013
Title XX (10% through FFY 2001, decreases to 4.25% unless changed by Congressional action.)	2,127,226	4,776,338	4,576,714	4,534,786	4,686,625	1,884,877	1,884,877

*Fiscal 2002 and 2003 expenditures are estimated to be equal to fiscal 2000 expenditures plus present law adjustments and new proposals.

Although FAIM Phase II-R is a biennial appropriation, this table includes a portion of the biennial appropriation in each fiscal year of the 2003 biennium.

**The TANF Block Grant authorization by Congress expires September 30, 2002. This table assumes that the TANF grant is reauthorized at the same level.

Fiscal 2001 expenditures increased by \$2.1 million the difference between the \$1.1 million expended in foster care in fiscal 2000 and the planned expenditure of \$3.2 million in fiscal 2001.

FAIM Phase II-R

Montana implemented welfare reform in February 1997. Those FAIM recipients who have continued to participate in the program since the beginning of welfare reform will reach the lifetime limit of 60 months of assistance in February 2002. As welfare reform continues and significant events such as reaching lifetime limits on assistance and federal reauthorization of TANF approach, the FAIM program has been modified by a second phase of welfare reform known as FAIM, Phase II-R.

The components of FAIM Phase II-R, shown in Table 11, are included in House Bill 2 as line items (except increased benefits/assistance which is not a line item in HB 2). The components of FAIM Phase II-R focus on the following priorities: 1) education and training programs targeted at jobs that provide higher wages than the traditional services industry jobs that typically employ many FAIM participants; 2) contracted services to address the need for assessments and intensive services for some families; 3) proposals to address housing needs of low-income families; and 4) proposals to address transportation needs of low-income families.

Figure FAIM Phase II-R		
Item	Fiscal 2002	Fiscal 2003
Parents As Scholars	\$1,331,183	\$0
Tribal Projects	2,489,360	0
Tribal NEW	1,139,093	1,116,468
Non-Traditional Job Training	841,394	0
Other Non-Traditional Training Programs -Tribal	989,875	0
Other Non-Traditional Training Programs -Non-Tribal	494,937	0
High-Wage, High-Skill Training	494,937	485,108
Assessment Services - Intensive Case Management	1,092,974	1,071,267
Chemical Dependency Home	629,560	0
Learning Disabilities Contracted Services through OPI or Tribal Colleges	593,924	0
Mental Health Services	494,937	0
Family Drug Court	395,950	0
Low-Income Housing	3,464,561	0
Transportation	791,899	0
Additional Month Grant for Working Families	1,228,979	1,204,570
Emergency Supportive Services for Working Families	1,025,510	274,209
School Breakfast Program (HB 353)	178,178	0
Individual Development Accounts	138,742	135,986
Children as Scholars (Head Start)	1,979,874	0
TEAMS Reprourement/Enhancements	989,875	485,107
Increased Benefits/Assistance*	3,061,322	2,745,226
Children's Trust Fund	250,000	250,000
Total	<u>\$24,097,064</u>	<u>\$7,767,941</u>
*The appropriation for this item is included in item 1 in HB 2.		

The legislature restricted the use of some TANF funded items. HB 2 includes restricted appropriations of federal funds for Tribal Projects; Nontraditional Job Training - Tribal; High-Wage, High-Skill Training; and Adult Basic Education. The legislature approved the use of a portion of the funding in the Tribal Projects item for evaluations, feasibility studies, and data collection activities by individual or groups of Montana tribes.

Benefits and Grants

Table 12 summarizes appropriations for benefits and grants. In addition to FAIM Phase II-R, notable changes in appropriations for benefits include:

- ?? Appropriation of \$103.3 million federal funds for the biennium for Food Stamps that were previously a non-budgeted expenditure
- ?? Increased funding for energy and commodity assistance benefits of \$4.2 million for the biennium
- ?? Increased funding for childcare benefits, totaling \$13.8 million for the biennium

Funding for grants remains relatively constant with an increase of \$3.0 million for the biennium, with Child and Adult Food Care program grants being the only significant change.

Table 12
Human and Community Services Division
Summary of Benefit and Grant Programs by Fund Source

Program/Benefits and Grants	Fiscal 2000 Actual				Fiscal 2002 Appropriation				Fiscal 2003 Appropriation			
	General Fund	State Special Revenue	Federal Funds	Total Funds	General Fund	State Special Revenue	Federal Funds	Total Funds	General Fund	State Special Revenue	Federal Funds	Total Funds
Benefits												
TANF/FAIM												
Cash Assistance	\$2,550,130	\$304,859	\$19,851,623	\$22,706,612	\$0	\$0	\$24,098,704	\$24,098,704	\$0	\$0	\$23,848,704	\$23,848,704
Employment & Training	3,940,698	0	515,874	4,456,572	4,511,219	0	532,076	5,043,295	4,442,452	0	0	4,442,452
Community Services	265,392	0	9,004	274,396	265,392	0	9,004	274,396	265,392	0	9,004	274,396
Support Services	611,058	0	70,731	681,789	1,500,000	0	70,731	1,570,731	1,500,000	0	62,054	1,562,054
Other TANF/FAIM	<u>53,793</u>	<u>0</u>	<u>30,850</u>	<u>84,643</u>	<u>51,673</u>	<u>0</u>	<u>1,248,411</u>	<u>1,300,084</u>	<u>51,693</u>	<u>0</u>	<u>0</u>	<u>51,693</u>
Subtotal TANF/FAIM	<u>\$7,421,071</u>	<u>\$304,859</u>	<u>\$20,478,082</u>	<u>\$28,204,012</u>	<u>\$6,328,284</u>	<u>\$0</u>	<u>\$25,958,926</u>	<u>\$32,287,210</u>	<u>\$6,259,537</u>	<u>\$0</u>	<u>\$23,919,762</u>	<u>\$30,179,299</u>
Refugee Services	\$0	\$0	\$0	\$0	\$0	\$0	\$44,500	\$44,500	\$0	\$0	\$44,500	\$44,500
Food Stamp Employ & Training	132,765	27,084	281,136	440,985	265,159	54,092	561,487	880,738	265,159	54,092	561,487	880,738
Food Stamps	0	0	0	0	0	0	51,652,161	51,652,161	0	0	0	51,652,161
Energy and Commodity Assistance												
BPA	0	0	222,749	222,749	0	0	288,580	288,580	0	0	288,566	288,566
Reach	0	0	0	0	0	0	491,408	491,408	0	0	245,659	245,659
CSFP	0	0	0	0	0	0	235,203	235,203	0	0	235,152	235,152
Food Distribution	0	0	1,171,405	1,171,405	0	0	1,429,469	1,429,469	0	0	1,778,561	1,431,055
Emerg. Shelter Services	0	0	446,161	446,161	0	0	446,167	446,167	0	0	1,431,055	446,096
Weatherization	0	0	1,306,119	1,306,119	0	0	1,637,630	1,637,630	0	0	1,637,645	1,637,645
Low-income Energy Assist.	0	0	6,193,524	6,193,524	0	0	6,981,168	6,981,168	0	0	6,411,199	6,411,199
Comm. Svc. Block Grant	0	0	2,360,054	2,360,054	0	0	2,400,225	2,400,225	0	0	2,400,456	2,400,456
Other Energy and Commodity	<u>97,534</u>	<u>0</u>	<u>30,518</u>	<u>128,052</u>	<u>97,152</u>	<u>0</u>	<u>30,074</u>	<u>127,226</u>	<u>97,142</u>	<u>0</u>	<u>30,114</u>	<u>127,256</u>
Subtotal Energy/Commodity	<u>\$97,534</u>	<u>\$0</u>	<u>\$11,730,530</u>	<u>\$11,828,064</u>	<u>\$97,152</u>	<u>\$0</u>	<u>\$13,939,924</u>	<u>\$14,037,076</u>	<u>\$97,142</u>	<u>\$0</u>	<u>\$14,458,407</u>	<u>\$13,223,084</u>
Childcare	2,344,805	0	13,091,034	15,435,839	2,690,651	0	17,611,293	20,301,944	3,009,317	0	21,350,987	24,360,304
Total Benefits	<u>\$9,996,175</u>	<u>\$331,943</u>	<u>\$45,580,782</u>	<u>\$55,908,900</u>	<u>\$9,381,246</u>	<u>\$54,092</u>	<u>\$109,768,291</u>	<u>\$119,203,629</u>	<u>\$9,631,155</u>	<u>\$54,092</u>	<u>\$60,335,143</u>	<u>\$120,340,086</u>
Grants												
TANF/FAIM	\$0	\$0	\$346,538	\$346,538	\$142,990	\$29,047	\$261,578	\$433,615	\$142,990	\$29,047	\$261,578	\$433,615
Refugee Services	0	0	87,077	87,077	0	0	0	0	0	0	0	0
Child and Adult Food Care	0	0	8,849,912	8,849,912	0	0	10,149,912	10,149,912	0	0	10,549,912	10,549,912
Childcare discretionary	0	0	3,747,053	3,747,053	0	0	3,747,053	3,747,053	0	0	3,747,053	3,747,053
Childcare Quality	0	0	2,035,382	2,035,382	0	0	2,035,382	2,035,382	0	0	2,035,382	2,035,382
Headstart	<u>0</u>	<u>0</u>	<u>19,991</u>	<u>19,991</u>	<u>0</u>	<u>0</u>	<u>76,262</u>	<u>76,262</u>	<u>0</u>	<u>0</u>	<u>76,262</u>	<u>76,262</u>
Total Grants	<u>\$0</u>	<u>\$0</u>	<u>\$15,085,953</u>	<u>\$15,085,953</u>	<u>\$142,990</u>	<u>\$29,047</u>	<u>\$16,270,187</u>	<u>\$16,442,224</u>	<u>\$142,990</u>	<u>\$29,047</u>	<u>\$16,670,187</u>	<u>\$16,842,224</u>

Funding

The Human and Community Services Division has historically been funded by a combination of general fund, state special revenue (county reimbursements), and federal funds. General fund provides: 1) Maintenance of Effort (MOE) for Temporary Assistance for Needy Families (TANF) and Childcare Development Fund (CCDF) grants; and 2) matching funds for federal programs including food stamp and Medicaid programs.

Table 13
Human and Community Services Division Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriation		Percent of Total
	Fiscal 2002	Fiscal 2003		
General Fund	\$19,601,819	\$21,740,259	\$22,040,543	13.3%
Percent of Total	20.5%	12.2%	13.3%	
State Special Revenue				
Food Stamp Recoupment Act	\$100,000	\$1,127	\$1,129	0.0%
County Reimbursements	3,074,959	0	0	0.0%
FAIM Financial County	309,839	0	0	0.0%
Subtotal State Special Revenue	\$3,484,798	\$1,127	\$1,129	0.0%
Percent of Total	3.6%	0.0%	0.0%	
Federal Funds				
Food Stamp Administration	\$554,534	\$52,342,563	\$52,336,131	31.6%
TANF Benefits	20,856,570	44,745,194	28,417,011	17.1%
Discretionary Childcare	12,171,168	15,254,287	18,262,908	11.0%
Child Nutrition	9,214,167	10,554,441	10,957,002	6.6%
Cost Allocation	8,988,391	8,252,683	8,248,237	5.0%
LIEAP Block Grant Administration	6,473,164	7,277,333	6,698,893	4.0%
Childcare Matching	3,589,753	5,071,365	5,802,365	3.5%
Childcare Mandatory/MOE	3,142,626	3,140,175	3,140,175	1.9%
CSBG Administration	2,558,022	2,601,973	2,602,930	1.6%
Food Distribution Federal Expense	1,499,066	1,835,313	1,837,871	1.1%
Weatherization Benefits	1,403,353	1,773,358	1,773,818	1.1%
Food Stamp Employment/Train. 100	407,014	933,216	944,291	0.6%
Emergency Shelter	456,102	456,404	456,426	0.3%
Childcare Administration	326,246	381,151	382,705	0.2%
CSFP	0	335,000	335,000	0.2%
BPA	231,591	303,630	303,663	0.2%
Reach	0	500,000	250,000	0.2%
Food Stamp Employment/Training	211,507	239,222	239,702	0.1%
Emergency Food Assistance 100	152,387	170,689	170,823	0.1%
Headstart	93,729	150,297	150,297	0.1%
TANF Administration	61,002	144,750	145,356	0.1%
Medicaid Administration	133,451	120,357	120,981	0.1%
Refugee Social Service	87,077	77,695	77,695	0.0%
Refugee Resettlement	13,772	55,404	55,555	0.0%
Elderly Refugee Grant	0	44,500	44,500	0.0%
Aging Supportive Service Grant	36,152	35,317	35,379	0.0%
TANF Evaluation	37,697	33,575	33,751	0.0%
Title XX Social Services Block Grant	46,000	0	0	0.0%
Subtotal Federal Funds	\$72,744,541	\$156,829,892	\$143,823,465	86.7%
Percent of Total	75.9%	87.8%	86.7%	
Total Funds	\$95,831,158	\$178,571,278	\$165,865,137	100.0%
Increase Above Base		86.3%	73.1%	
Annual Rate of Change from Base		36.5%	20.1%	

As illustrated in Table 13, general fund provides 12.2 percent of the division's funding in fiscal 2002 and 13.3 percent in fiscal 2003, a decrease from fiscal 2000 when general fund comprised 20.5 percent of the support for the division. General fund support for the division was impacted primarily by:

?? HB124 was passed by the legislature and provides that public assistance programs be funded with general fund rather than state special revenue from counties. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively, and state special revenue was reduced by \$3,356,606 and \$3,376,187

?? The legislature approved a reduction in the TANF MOE from 77 percent to 75 percent (HB 615) and reduced the general fund appropriation for TANF MOE by \$345,068 in fiscal 2002 and \$395,555 in fiscal 2003

?? The legislature reduced general fund (\$397,000 annually) appropriated for TANF MOE because the Fort Belknap Indian Community implemented a Tribal TANF plan that, under federal regulations, triggers a reduction in Montana's TANF MOE requirement

?? The legislature appropriated general fund totaling \$1 million for the biennium to draw all available federal childcare matching funds

The decline in general fund as a percent of total funds is due primarily to increases in

federal funds, the most significant of which are the following:

?? Food Stamp benefits, which were previously off budget, must now be appropriated due to a change in the mechanism to distribute food stamp benefits. Federal funds of \$103.3 million are appropriated for food stamp benefits

?? Appropriation of all current and prior year TANF funds included \$38.4 million appropriated for new or expanded

services in FAIM Phase II-R

?? Funding for childcare and Child and Adult Food Care Program services were increased \$16.3 million

?? Funding for energy and commodity assistance programs were increased \$4.2 million

Historically, counties shared in the costs of human services programs as outlined in 53-2-304 MCA. Those counties that chose to be state-assumed levied 9 mills and forwarded the proceeds from those mill levies to the state. Non-assumed counties were obligated by statute to reimburse the state for: 1) 50 percent of the salaries, travel, and allocated direct and indirect administrative costs of the cash assistance and emergency assistance program up to the dollar amount the county paid as its share of these costs in 1996; and 2) the non-federal share of salaries, travel, and allocated direct and indirect administrative costs attributable to public assistance programs other than cash assistance and emergency assistance. HB 124 changed the funding for public assistance costs and provides that these costs be funded from the general fund. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively and state special revenue was reduced by \$3,356,606 and \$3,376,187.

Federal funds provide more than 85 percent of the funding for the division. The Food Stamp, TANF, Childcare and Child Nutrition programs are the four largest sources of federal funding for the division. Each of these programs provides Montana more than \$10 million in federal funds. Combined, these four programs, provide more than 75 percent of the federal funds for this division.

Other Legislation

Several bills passed by the 2001 legislature, which will have significant impacts on services or operations of the division, are summarized below.

House Bill 38 - This bill provides that the department may purchase surplus state vehicles for purchase by recipients of TANF funded services and establishes criteria for vehicle purchase by TANF recipients. FAIM Phase II-R includes \$791,899 for transportation, which could be used to purchase vehicles.

House Bill 124 - HB 124 changed the funding for public assistance costs and provides that these cost be funded from the general fund. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively, and state special revenue was reduced by \$3,356,606 and \$3,376,187.

House Bill 273 - This bill provides for the transfer of almost \$3.5 million of TANF funds to the affordable housing revolving loan fund and clarifies the use of these funds.

House Bill 353 - This bill provides that schools wishing to operate a school breakfast program may apply to the Office of Public Instruction for funding of start-up costs.

House Bill 526 – This bill establishes a summer youth employment program. HB 2 includes language that if (based upon the department report to the Legislative Finance Committee in March 2002) there are unexpended TANF funds for which there is no expenditure plan, \$1.5 million of federal TANF funds are appropriated for this program.

House Bill 615 - This bill revised TANF maintenance of effort and reduced the statutory requirement for maintenance of effort from 77 percent to 75 percent. The reduction in the general fund maintenance of effort requirement is reflected in appropriations included in HB 2.

Senate Bill 77 - This bill generally revised laws governing public assistance, including the addition of provisions for a program of non-financial assistance as allowable within federal laws.

Senate Bill 339 - This bill generally revised the law governing public assistance, including how the state and counties will work together to administer public assistance programs.

Senate Bill 442 – This bill establishes a revolving loan fund for low-income individuals. Loans not to exceed \$8,000 may be provided to recipients of TANF funded services for:

- ?? payment for job training expenses
- ?? payment for home repair work for weatherization and energy conservation
- ?? payment of short-term bills, excluding fines or bad debt
- ?? payment for business startup costs or business inventory costs, excluding construction
- ?? payment for gaps in loan payments for escrow costs, for the period before other loans are made, and for closing costs or costs for participating in other loan programs
- ?? providing assistance

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				4,988					108,428
Vacancy Savings				(447,137)					(450,240)
Inflation/Deflation				(6,570)					(4,177)
Fixed Costs				15,229					17,759
Total Statewide Present Law Adjustments				(\$433,490)					(\$328,230)
DP 8 - Refugee Resettlement									
1.00	0	0	43,116	43,116	1.00	0	0	43,267	43,267
DP 9 - Child&Adult Food Care Program									
3.00	0	0	1,429,346	1,429,346	3.00	0	0	1,829,803	1,829,803
DP 59 - TANF and MOE Present Law Adjustment									
6.00	0	0	2,657,942	2,657,942	6.00	0	0	2,658,937	2,658,937
DP 61 - IHSB Present Law Adjustment									
1.00	0	0	1,022,955	1,022,955	1.00	0	0	1,022,955	1,022,955
DP 63 - Food Stamp Adjustments									
1.00	22,357	0	545,227	567,584	1.00	24,374	0	547,394	571,768
DP 69 - County TANF, Food Stamp, and Medicaid									
0.00	149,248	0	152,987	302,235	0.00	112,350	0	115,451	227,801
DP 78 - Public Assistance Administration									
0.00	75,519	0	76,022	151,541	0.00	65,299	0	65,892	131,191
DP 202 - SABHRS System Adjustment									
0.00	(697,028)	0	(697,028)	(1,394,056)	0.00	(697,028)	0	(697,028)	(1,394,056)
DP 696 - Data Network Fixed Cost Reduction									
0.00	(170)	0	(315)	(485)	0.00	(170)	0	(315)	(485)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(3,363)	0	(7,948)	(11,311)	0.00	(3,374)	0	(7,975)	(11,349)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(57,985)	(40,331)	(116,003)	(214,319)	0.00	(58,248)	(40,536)	(116,573)	(215,357)
Total Other Present Law Adjustments									
12.00	(\$511,422)	(\$40,331)	\$5,106,301	\$4,554,548	12.00	(\$556,797)	(\$40,536)	\$5,461,808	\$4,864,475
Grand Total All Present Law Adjustments				\$4,121,058					\$4,536,245

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 8 - Refugee Resettlement - The legislature approved \$86,000 federal funds for the biennium and 1.0 FTE grade 15, Human Service Specialist to manage the Refugee Resettlement Program.

DP 9 – Child & Adult Food Care Program - The legislature approved \$3.3 million additional federal funds for the biennium for the Child and Adult Food Care Program. This funding will provide: 1) an adjustment for an increase of 2.6 percent in the USDA reimbursement for benefits; 2) an increase in the number of meals served (630,000 additional meals

by the end of the biennium); and 3) additional staff needed due to increased federal requirements for the number of times the state is required to visit childcare centers. The Child and Adult Food Care program is 100 percent federally funded.

DP 59 - TANF and MOE Present Law Adjustment - The legislature approved \$5.3 million federal TANF authority to: 1) fund 6.0 FTE to complete fiscal and contract monitoring, work participation validation, and implementation of FAIM Phase II; and 2) annualize funding of TANF cash assistance benefits entirely from federal funds.

DP 61 - IHSB Present Law Adjustment - The legislature approved slightly over \$2.0 million federal funds for the biennium to support weatherization, energy assistance, and commodity distribution grants.

DP 63 - Food Stamp Adjustments - The legislature approved: 1) \$46,731 general fund to purchase contracted services; and 2) \$1.1 million federal funds to support 1.0 FTE, food stamp employment and training (\$900,000), and the food stamp nutrition education program (\$80,000). Contracted services are used to provide policy interpretation and monitor accuracy and efficiency of the food stamp program.

DP 69 - County TANF, Food Stamp, and Medicaid - The legislature approved \$261,598 general fund and \$268,438 federal funds for overtime and rent cost increases in assumed counties.

DP 78 - Public Assistance Administration - The legislature approved \$140,000 general fund and \$142,000 federal funds for increased administrative costs (overtime, contracted services, and training costs) related to program implementation, policy interpretation, and program management.

DP 202 - SABHRS System Adjustment - The legislature approved a biennial reduction of \$1.4 million general fund and \$1.4 million federal funds. This adjustment is necessary because the expenditures and funding in the base budget were overstated due to a SABHRS system error that allowed an incorrect transaction to post.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	Fiscal 2002					Fiscal 2003				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 58 - Early Childhood Services Caseload Adjustment										
02	3.00	0	0	3,186,690	3,186,690	3.00	0	0	6,195,632	6,195,632
DP 92 - Commodity Supplemental Food Program										
02	1.00	0	0	335,000	335,000	1.00	0	0	335,000	335,000
DP 93 - REACH Grant										
02	0.00	0	0	500,000	500,000	0.00	0	0	250,000	250,000
DP 94 - Refugee Elderly Grant										
02	0.00	0	0	44,500	44,500	0.00	0	0	44,500	44,500
DP 95 - Fort Belknap Indian Comm. TANF Prog										
02	0.00	0	0	(958,012)	(958,012)	0.00	0	0	(958,012)	(958,012)
DP 200 - Human and Community Services Div Leased Vehicles										
02	0.00	0	0	0	0	0.00	0	0	0	0
DP 203 - DOE Weatherization Training Grant										
02	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 204 - LIEAP Energy Contingency Award										
02	0.00	0	0	579,565	579,565	0.00	0	0	0	0
DP 205 - Childcare Federal Matching Funds										
02	0.00	0	0	1,483,918	1,483,918	0.00	0	0	2,214,918	2,214,918
DP 206 - Food Stamp Cash Benefits										
02	0.00	0	0	51,652,161	51,652,161	0.00	0	0	51,652,161	51,652,161
DP 425 - House Bill 124 Revise Local Government Funding										
02	0.00	3,852,988	(3,356,606)	0	496,382	0.00	4,006,121	(3,376,187)	0	629,934
DP 613 - Reduced TANF MOE - FBIC Tribal TANF Plan										
02	0.00	(397,000)	0	0	(397,000)	0.00	(397,000)	0	0	(397,000)
DP 614 - Childcare Match - TANF MOE Reduction (FBIC)										
02	0.00	0	0	0	0	0.00	133,000	0	0	133,000
DP 616 - FAIM Phase II Revised										
02	0.00	0	0	24,097,064	24,097,064	0.00	0	0	7,767,941	7,767,941
DP 617 - Reduce TANF Maintenance of Effort to 75 percent										
02	0.00	(345,068)	0	0	(345,068)	0.00	(395,555)	0	0	(395,555)
DP 618 - Childcare Match - TANF MOE Reduction to 75 Percent										
02	0.00	345,068	0	0	345,068	0.00	395,555	0	0	395,555
DP 619 - Reduce Costs of Food Stamp Issuance Contract Base										
02	0.00	(27,421)	0	0	(27,421)	0.00	(107,831)	0	0	(107,831)
DP 620 - Childcare Match - Reduction Food Stamp Issuance										
02	0.00	0	0	0	0	0.00	135,252	0	0	135,252
DP 623 - Shift Funding to Child Support Enforcement										
02	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 625 - Children's Mental Health Funded with TANF MOE										
02	0.00	(647,952)	0	0	(647,952)	0.00	(671,928)	0	0	(671,928)
DP 626 - TANF - 2003 Biennium Spending Compared to Base										
02	0.00	0	0	(1,818,833)	(1,818,833)	0.00	0	0	(1,818,833)	(1,818,833)
DP 689 - FTE Reduction										
02	(0.75)	0	0	0	0	(0.75)	0	0	0	0
Total	3.25	\$2,773,615	(\$3,356,606)	\$79,202,053	\$78,619,062	3.25	\$3,090,614	(\$3,376,187)	\$65,783,307	\$65,497,734

New Proposals

DP 58 - Early Childhood Services Caseload Adjustment - The legislature approved approximately \$9.4 million federal funds for the biennium to support: 1) increased spending of childcare discretionary funds; 2) 3.0 FTE for program administration; and 3) the head start collaboration grant. This increase is funded from: 1) an expected increase in the Childcare Development Fund (CCDF) discretionary funds; 2) transfers from the TANF Block Grant to the CCDF; and 3) a federal grant for head start collaboration projects.

DP 92 - Commodity Supplemental Food Program - The legislature approved \$670,000 federal funds for the biennium to fund the new U.S. Department of Agriculture (USDA) Commodity Supplemental Food Program (CSFP). This funding will provide: 1) 1.0 FTE to assist in the ordering, record keeping, federal reporting, and monitoring of the program; 2) warehousing and delivery cost; and 3) funds for contracting with area agencies on aging and/or local food banks to determine eligibility and distribute individual food packages. The department projects this grant will provide 7,500 low-income elderly persons and children with commodity food packages.

DP 93 - REACH Grant - The legislature approved \$750,000 federal funding for the biennium to continue the REACH Grant which provides home weatherization, client education, and cost effective retrofits or repairs to space or water heating devices. In addition to benefits, the REACH grant funds will also support travel costs and an evaluation contract with an outside agency as required by the grant. The department estimates that a minimum of 300 low-income households would be served with this new grant.

DP 94 - Refugee Elderly Grant - The legislature approved \$89,000 federal funds for the biennium to support the Elderly Refugee Grant, which serves low-income elderly Hmong and Russian refugees.

DP 95 - Fort Belknap Indian Comm. TANF Program - The legislature approved a reduction in federal TANF funding by \$1.9 million for the biennium. As of October 2000, the Fort Belknap Indian Community administers its own federally approved TANF plan. Montana's TANF grant will be reduced by the amount of the Fort Belknap Indian Community's TANF grant, which is \$958,012 annually.

DP 200 - Human and Community Services Division Leased Vehicles - The legislature approved the lease of 32 passenger vehicles through the state motor pool. Two of the vehicles will support the Early Childhood Services contract monitors, who travel throughout the state monitoring early childhood services providers. The remaining 30 vehicles will be assigned throughout the state to support the outreach efforts for eligibility determination in the TANF, Food Stamp, and Medicaid programs within the Public Assistance Bureau. This proposal is cost neutral with corresponding offsetting reductions in related expenditure categories. The cost of in-state personal car mileage is reduced and the cost of leased vehicles is increased resulting in no change in costs or funding.

DP 203 - DOE Weatherization Training Grant - The legislature approved \$200,000 federal funds for the biennium for the Department of Energy weatherization training grant. The activities funded by this grant are intended to improve the technical skills of grantees and sub grantees who administer the DOE Weatherization Assistance Program in the Denver region, which includes Montana.

DP 204 - LIEAP Energy Contingency Award - The legislature approved \$579,565 federal funds in the first year of the biennium for increase in the Low Income Energy Assistance (LIEAP) grant awarded to states in response to sharp increases in heating fuel costs. With this funding the department will: 1) adjust the energy assistance matrix for LIEAP to provide the additional funds to low-income households; and 2) increase funding for weatherization to decrease fuel consumption in low-income households. The department estimates that approximately 15,500 additional low-income households will receive energy assistance and 29 additional households will receive weatherization resulting in reduced energy costs with the funds from this grant.

DP 205 - Childcare Federal Matching Funds - The legislature approved the addition of \$1,483,918 for fiscal 2002 and \$2,214,918 for fiscal 2003 of federal childcare funds that are available to the state if the state provides the required matching funds.

DP 206 - Food Stamp Cash Benefits - The legislature approved \$103.3 million federal funds for the biennium for food stamp benefits. Historically, the department has received an appropriation only to administer and contract with an independent provider who distributed food stamp coupons to qualifying low-income families. The state is required by federal mandate to have in place an electronic benefit transfer (EBT) system. When food stamp benefits were issued as a coupon no actual cash was drawn from the federal government and deposited in the state treasury. Therefore, statute did not require these benefits to be appropriated. Instead they were recorded on the state accounting records as a non-budgeted transaction. With the new EBT system, cash will be drawn from the federal government and placed in the state treasury. Statute requires there be an appropriation.

DP 425 - House Bill 124 Revise Local Government Funding - This decision package reflects the funding change necessary due to the provisions of HB124. HB124 was passed by the legislature and provides that public assistance programs be funded with general fund rather than state special revenue from counties. Due to the fiscal impact of HB 124, general fund in this division was increased by \$3,852,988 and \$4,006,121 in fiscal 2002 and 2003, respectively, and state special revenue was reduced by \$3,356,606 and \$3,376,187.

DP 613 - Reduced TANF MOE - FBIC Tribal TANF Plan - The legislature reduced general fund support for the federal TANF block grant, maintenance of effort by \$397,000 per year. Per federal regulation, the state TANF MOE requirement is reduced when a tribe implements a Tribal TANF plan. The Fort Belknap Indian Community (FBIC) implemented a Tribal TANF plan in October, 2000.

DP 614 - Childcare Match - TANF MOE Reduction (FBIC) - The legislature appropriated \$133,000 general fund for fiscal 2003 so that additional federal childcare matching funds available to the state may be obtained. The general fund is available because the legislature approved a reduction in the TANF maintenance of effort due to the implementation of a tribal TANF plan by the Fort Belknap Indian Community.

DP 616 - FAIM Phase II Revised - The legislature approved a proposal to expend an additional \$31.8 million federal TANF funds during the 2003 biennium. The spending plan approved by the legislature will result in the expenditure of all prior year federal TANF funds during the biennium. The federal TANF block grant was authorized by Congress through September 2002. Congressional reauthorization of the TANF grant will probably occur in the summer or fall of 2002. At this time, it is unknown whether Congress will allow states to maintain the reserve of unexpended TANF funds that have accumulated or if the TANF block grant funding will be reauthorized at the current funding level.

DP 617 - Reduce TANF Maintenance of Effort to 75 percent - The legislature approved general fund reductions of \$345,068 in fiscal 2002 and \$395,555 in fiscal 2003 reducing the TANF maintenance of effort requirement from 77 percent to 75 percent. Legislation is needed prior to implementation of this change (see HB 615 under other legislation section).

DP 618 - Childcare Match - TANF MOE Reduction to 75 Percent - The legislature appropriated general fund of \$345,068 in fiscal 2002 and \$395,555 in fiscal 2003 as match for federal childcare funds that are available if the state can provide the required general fund match. The general fund appropriated in this decision package is available because the legislature approved a reduction in the general fund TANF maintenance of effort from 77 percent to 75 percent.

DP 619 - Reduce Costs of Food Stamp Issuance Contract Base - The legislature reduced the general fund for the food stamp issuance contract included in the base budget by \$27,421 in fiscal 2002 and \$107,831 in fiscal 2003. The department will implement electronic benefit transfer for food stamp benefits in 2002, which will replace the issuance of food stamp coupons. The food stamp issuance contract is partially removed from the budget to reflect the phase-in of electronic issuance of food stamp benefits during the 2003 biennium.

DP 620 - Childcare Match - Reduction Food Stamp Issuance - The legislature appropriated general fund of \$135,252 in fiscal 2003 to obtain additional federal childcare matching funds. The general fund is available because the food stamp issuance contract included in the base budget will be less in the 2003 biennium due to the phase-in of issuance of food stamp benefits by electronic benefit transfer.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts general fund from various divisions to the Child Support Enforcement Division. This partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

DP 625 - Children's Mental Health Funded with TANF MOE - The legislature approved creation of a program that provides limited mental health services to children. The program will be a separate state program funded by TANF maintenance of effort funds. The legislature approved the movement of funds to support the children's program from the Human and Community Services Division to the Addictive and Mental Disorders Division.

DP 626 - TANF - 2003 Biennium Spending Compared to Base - The TANF spending plan as presented by the department and approved by the legislature contains variances from federal expenditures as included in the base budget. This decision package reflects a decrease in some expenditures that were made from federal funds in the fiscal 2000 base that are not funded with federal TANF funds in the spending plan approved by the legislature for the 2003 biennium. For example, \$1,561,147 of systems costs were funded from federal TANF funds in fiscal 2000. The department estimates that this will decrease to \$1,006,158 per year in the 2003 biennium, a reduction of \$554,989 per year in federal expenditures. This reduction and other similar reductions are included in this decision package. Table 14 summarizes the annual reductions included in this decision package.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

The department shall report to the Legislative Finance Committee and the Interim Committee on Children, Families, Health, and Human Services at every meeting of each committee:

1. The actual amount of federal Temporary Assistance for Needy Families (TANF) block grant funds expended in the current biennium;
2. The actual amount of TANF block grant maintenance of effort funds that have been expended in the current biennium;
3. The balance of previous fiscal years TANF block grant funds that remain unexpended; and
4. The balance of the current fiscal year federal TANF block grant funds that remains unexpended.

The department shall utilize unexpended previous year federal TANF block grant funds to provide benefits and services that meet the federal definition of assistance. Current year federal TANF block grant funds must be used to fund benefits and services that meet the federal definition of assistance only after all available previous years' federal TANF block grant funds have been expended.

The Office of Budget and Program Planning may proportionally reduce the funding it items [FAIM Phase II-R items] if any of the following conditions exist:

1. The department certifies to the Office of Budget and Program Planning that the balance of unexpended TANF funds on June 30, 2001 is less than \$30 million;
2. Actual or projected cash assistance expenditures are greater than \$24,067,328 in fiscal 2002 or \$23,763,854 in fiscal 2003;
3. The amount of TANF grant funds awarded to Montana by Congress is reduced below the level anticipated by the legislature; or
4. The department certifies to the Office of Budget and Program Planning that the reduction is necessary in order to maintain public assistance programs that were supported by federal TANF and state TANF maintenance of effort funds in fiscal year 2001.

If the TANF block grant funds report given at the March, 2002 Legislative Finance Committee meeting indicates that there are FAIM Phase II-R dollars unexpended and no plan is in place to expend the remaining dollars, there is appropriated up to \$1.5 million for the biennium of these unexpended funds for the summer youth employment program in the 2003 biennium.

Table 14	
TANF - Reductions in Federal Spending	
Items Included in Base Budget for Federal Funds	
But not Included in Federal Spending in 2003 Biennium	
Not Included in Other Decision Packages	
Change to Base Budget	Amount
Indirect - HCSD	\$180,546
TANF Evaluation	(30,062)
Program 09 and 02 Systems	554,989
CSED Liasons	38,505
TANF LIEAP	875,037
Family Support Services	173,496
Transportation (Construction Trades)	271,831
Employment Barriers - Domestic Violence	3,097
Food Banks	(125,000)
SSI Eligibility	1,563
Adult Basic Education	(125,169)
Total	<u>\$1,818,833</u>

Item [Human and Community Services Division] includes increases of \$3,852,988 of general fund in fiscal 2002 and of \$4,006,121 of general fund in fiscal 2003 and reductions of \$3,356,606 of state special revenue in fiscal 2002 and of \$3,376,187 of state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 124.

Funds in item [Human and Community Services Division] include \$68,422 in fiscal 2002 and \$69,606 in fiscal 2003 that the department shall use to reimburse the Montana Department of Corrections, Montana Correctional Enterprises, for costs incurred to operate the Montana Food Bank Network canning and wild game processing facility.

Funds included in items [Tribal Projects and Nontraditional Job Training - Tribal] may be used only to fund tribal projects and to provide nontraditional job training to an enrolled tribal member of a federally recognized tribe whose reservation lies within the exterior boundaries of the Montana reservations and to the Little Shell band of Chippewa if the Little Shell band of Chippewa becomes a federally recognized tribe.

Funds in item [Tribal Projects] may be used to fund Head Start services for tribal members. Tribal members may not access services supported by funds in item [Children as Scholars (Head Start)] because funding for tribal Head Start projects has been included in Tribal Projects.

The department shall transfer funds in item [Low-Income Housing] to the Montana Board of Housing revolving loan account to fund eligible activities under the federal TANF block grant. The timing and amount of the transfer must comply with federal regulations governing the expenditure and transfer of TANF funds.

Funds included in item [High-Wage, High-Skill Training] may be used only to develop programs for high-wage, high-skill training for single parents, persons who are economically disadvantaged, and displaced homemakers.

Funds included in item [Adult Basic Education] may be used only to provide Adult Basic Education services.

The department shall transfer funds in item [Children's Trust Fund] to the Children's Trust Fund to fund eligible child abuse and neglect prevention activities.

Projects funded in items [FAIM Phase II-R other than Tribal specific items] are considered approved special projects related to welfare reform for the purpose of implementation of 53-4-210, MCA. Prior to the expenditure of these funds, the department shall provide notice both verbally and in writing to tribes that have implemented a federally approved tribal family assistance plan that funding for special projects is available. Tribes that operate a tribal family assistance plan may receive the funds in these items and the department may award all or a portion of these funds to tribes that operate tribal family assistance plans as allowable within federal regulations.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	324.75	0.00	5.25	330.00	0.00	6.00	330.75	330.75
Personal Services	12,320,176	(332,989)	288,454	12,275,641	(266,922)	334,587	12,387,841	24,663,482
Operating Expenses	3,257,286	465,882	99,720	3,822,888	646,220	116,039	4,019,545	7,842,433
Equipment	10,558	0	30,263	40,821	0	0	10,558	51,379
Grants	4,412,608	0	615,842	5,028,450	0	529,966	4,942,574	9,971,024
Benefits & Claims	20,138,739	3,079,618	4,346,743	27,565,100	4,322,859	1,356,484	25,818,082	53,383,182
Debt Service	89,150	0	0	89,150	0	0	89,150	178,300
Total Costs	\$40,228,517	\$3,212,511	\$5,381,022	\$48,822,050	\$4,702,157	\$2,337,076	\$47,267,750	\$96,089,800
General Fund	18,116,310	723,897	1,698,808	20,539,015	1,902,471	1,695,927	21,714,708	42,253,723
State/Other Special	2,877,029	565,003	(2,172,078)	1,269,954	594,955	(2,135,314)	1,336,670	2,606,624
Federal Special	19,235,178	1,923,611	5,854,292	27,013,081	2,204,731	2,776,463	24,216,372	51,229,453
Total Funds	\$40,228,517	\$3,212,511	\$5,381,022	\$48,822,050	\$4,702,157	\$2,337,076	\$47,267,750	\$96,089,800

Program Description

The Child and Family Services (CFSD) Division administers child welfare services, abuse prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFSD oversees five regional offices that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD also provides the user liaison for the large statewide computer system application: CAPS (the Child and Adult Protective Services) system. Statutory authority for the program is provided in Titles 33, 40, 41, 42, 50, 52, and 72, MCA, and 45CFR, Parts 1355 and 1370.

Table 15
Child and Family Services Divison
Summary of Benefit and Grant Programs by Fund Source

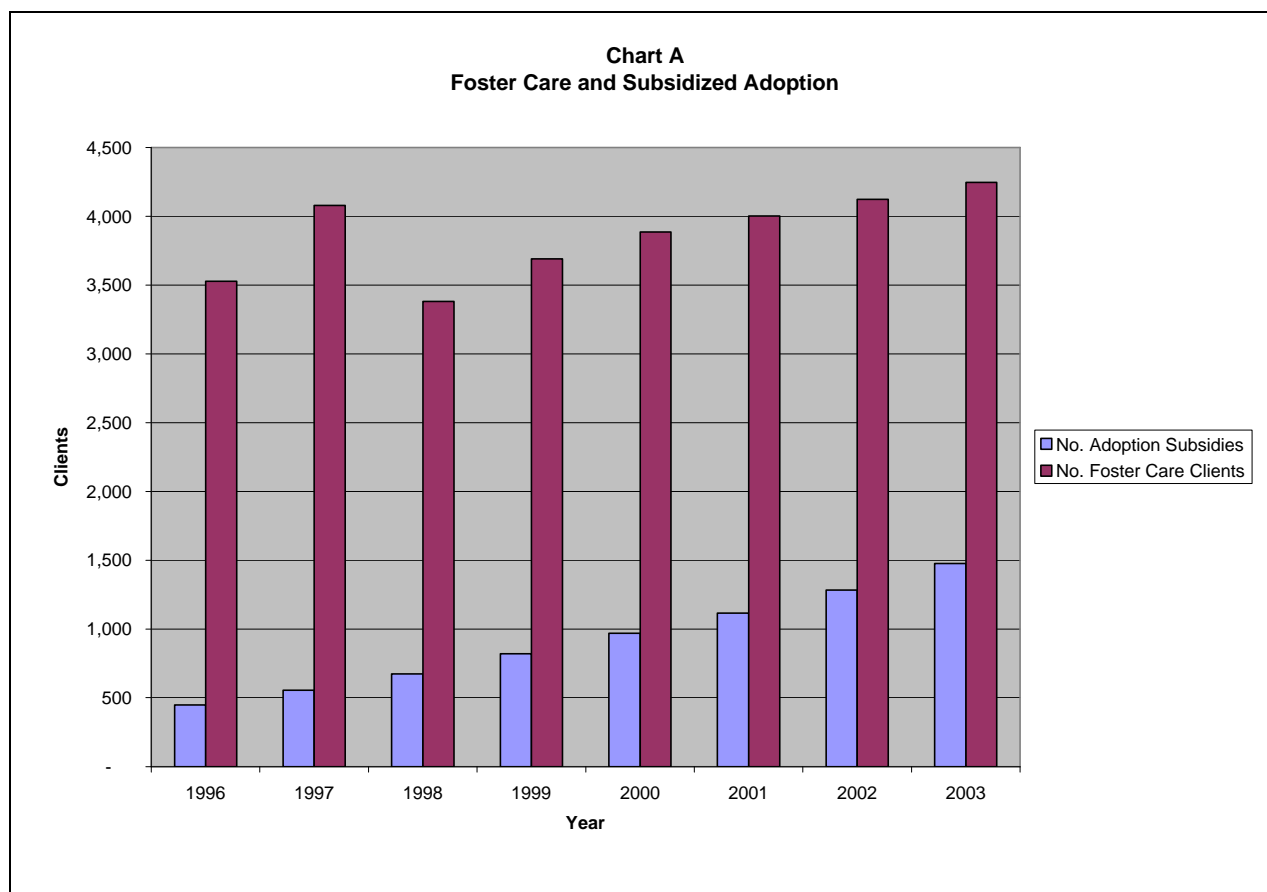
Program	Fiscal 2000 Actual				Fiscal 2002 Appropriation				Fiscal 2003 Appropriation			
	General Fund	State Special Revenue	Federal Funds	Total Funds	General Fund	State Special Revenue	Federal Funds	Total Funds	General Fund	State Special Revenue	Federal Funds	Total Funds
Benefits												
Foster Care*	\$6,056,620	\$1,583,019	\$8,655,863	\$16,295,502	\$5,870,168	\$1,094,533	\$11,417,791	\$18,382,491	\$6,598,698	\$1,124,823	\$11,214,468	\$18,937,989
Subsidized Adoption	1,681,095	0	1,624,520	3,305,615	2,368,196	0	2,269,009	4,637,205	2,728,097	0	2,606,592	5,334,689
Tribal Contracts	45,488	0	184,323	229,811	45,488	0	184,323	229,811	45,488	0	184,323	229,811
In-Home and Family Reunification Svcs	494,938	0	214,088	709,026	526,533	0	182,493	709,026	519,692	0	189,334	709,026
Domestic Violence	152,602	44,764	130,613	327,979	152,537	44,780	130,661	327,979	152,537	44,780	130,661	327,979
Big Brothers Big Sisters	0	0	138,493	138,493	0	0	208,285	208,285	0	0	208,285	208,285
Independent Living	0	0	70,303	70,303	0	0	70,303	70,303	0	0	70,303	70,303
Collaborative Project	0	0	0	0	0	0	3,000,000	3,000,000	0	0	0	0
Total Benefits	<u>\$8,430,743</u>	<u>\$1,627,783</u>	<u>\$11,018,203</u>	<u>\$21,076,729</u>	<u>\$8,962,922</u>	<u>\$1,139,313</u>	<u>\$17,462,865</u>	<u>\$27,565,100</u>	<u>\$10,044,512</u>	<u>\$1,169,603</u>	<u>\$14,603,967</u>	<u>\$25,818,082</u>
Grants												
Tribal Contracts	\$278,694	\$0	\$1,129,300	\$1,407,994	\$278,694	\$0	\$1,129,300	\$1,407,994	\$278,694	\$0	\$1,129,300	\$1,407,994
In-Home and Family Reunification Svcs	1,353,764	0	586,247	1,940,011	1,719,930	0	526,423	2,246,353	1,641,265	0	519,212	2,160,477
Domestic Violence	350,915	102,936	300,351	754,203	350,767	102,974	300,462	754,203	350,767	102,974	300,462	754,203
Adoption Services	0	0	0	0	24,500	0	0	24,500	24,500	0	0	24,500
Independent Living	0	0	0	0	0	0	285,000	285,000	0	0	285,000	285,000
Children's Trust Fund	0	30,766	0	30,766	0	30,766	0	30,766	0	30,766	0	30,766
Child Abuse and Neglect	0	0	279,634	279,634	0	0	279,634	279,634	0	0	279,634	279,634
Total Grants	<u>\$1,983,373</u>	<u>\$133,702</u>	<u>\$2,295,532</u>	<u>\$4,412,608</u>	<u>\$2,373,891</u>	<u>\$133,740</u>	<u>\$2,520,819</u>	<u>\$5,028,450</u>	<u>\$2,295,225</u>	<u>\$133,740</u>	<u>\$2,513,608</u>	<u>\$4,942,574</u>
*Foster Care fiscal 2000 actual includes \$937,990 federal funds that were not accrued. This adjustment increases the total benefits for fiscal 2000 from \$20,138,739 shown in the main table to \$21,076,739 as shown in this table.												

Program Narrative

Table 15 summarizes legislative appropriations benefit and grants. Foster care services with total appropriations exceeding \$18 million per year are the largest benefit category administered by the division. The legislature provided funding to support a 3 percent per year increase in foster care caseload.

The second largest benefit category administered by the division is subsidized adoptions, with annual appropriations of \$4.6 million and \$5.3 million for fiscal 2002 and fiscal 2003, respectively. The legislature funded a 15 percent per year increase in subsidized adoption caseload. The caseload increase for subsidized adoption is smaller than has historically been experienced in this program and reflects a projected slowing in the annual rate of growth.

As illustrated in Chart A and B, foster care and subsidized adoptions continue to grow in both number of clients and total costs. This growth represents the combined affects of increased numbers of clients and provider rate increases. Chart A illustrates the number of foster care clients and adoption subsidies for fiscal years 1996 through 2003.



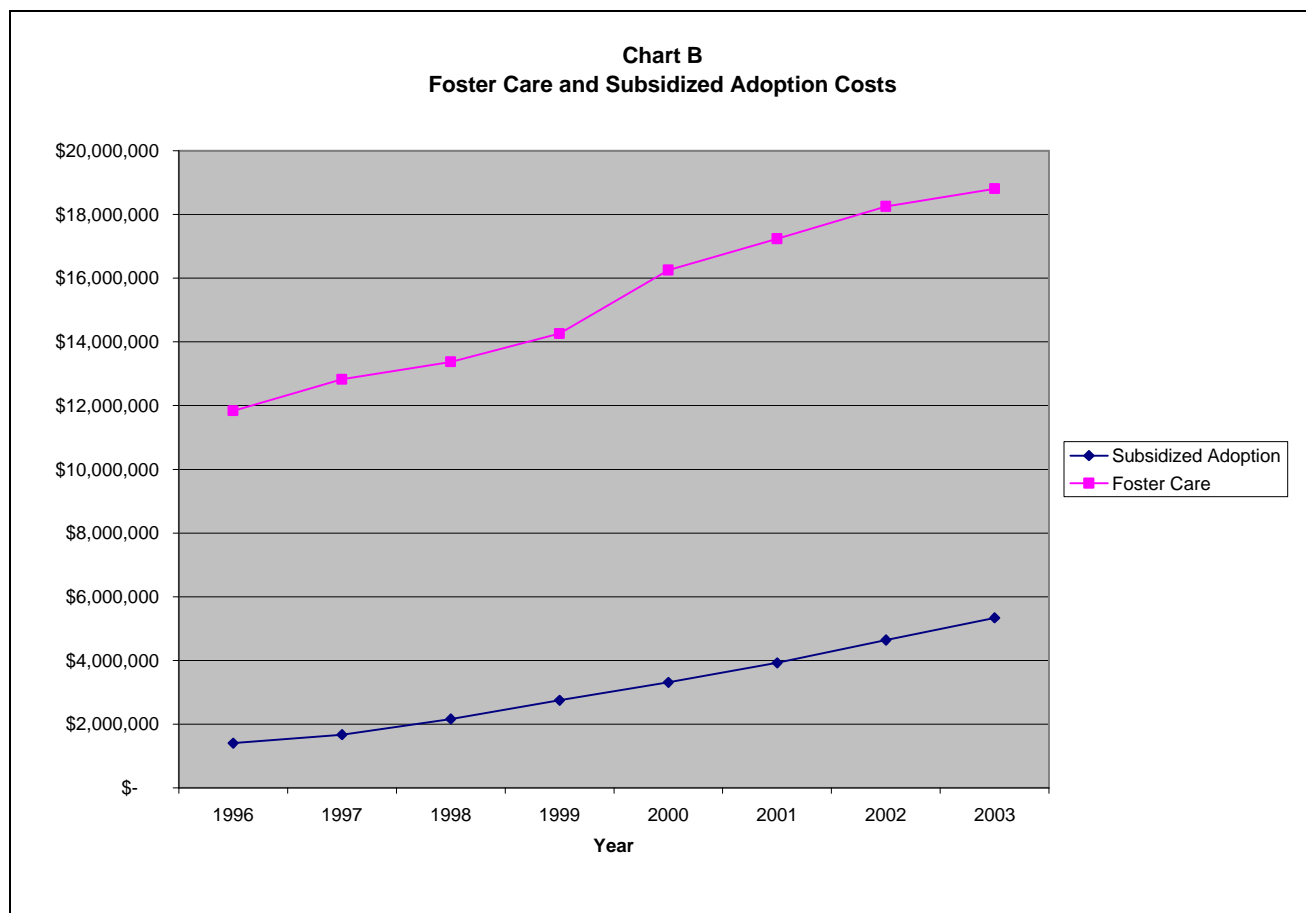


Chart B illustrates total foster care expenditures (actual and appropriated) and total subsidized adoption expenditures (actual and appropriated) for fiscal years 1996 through 2003.

In-home and family reunification services, with funding of more than \$2 million per year, constitute the largest share of the grants administered by the department. The legislature provided increased funding for these services, including a restricted appropriation of \$100,000 in fiscal 2002. As stated in HB 2, the department estimates that 25 families or 50 children will be served with this \$100,000 and that 80 percent of the families served will not enter the foster care system. If the department achieves this goal, the increase in the foster care caseload will decrease from 3 percent to 2 percent. The legislature stated that savings created by a lower than anticipated caseload increase could be used to expand the provision of in-home services or other services within the child welfare system.

Services provided via contracts with tribes are the second largest grant expenditures totaling \$1.4 million per year, and domestic violence service contracts funded at \$750,000 per year are the third largest group of services provided as grants.

The legislature also approved a Child Protective Services plan that includes additional funding for: 1) 5.25 FTE in fiscal 2002 and 6.0 FTE in fiscal 2003; 2) centralized intake of child abuse and neglect referrals; 3) completion of 300 more family group conferences in each year of the biennium; and 4) in-home services (\$275,000 for the biennium). This plan reflects legislative policy to support provision of services in effective, efficient ways while minimizing the costs; emphasis on early intervention services which prevent foster care placement or minimize the length of placement; and a change from completion of initial receipt of reports of abuse and neglect at the local level to a centralized phone center with review, assignment, and prioritization of referrals from a centralized point based upon consistent criteria.

Legislative priorities included increases in provider rates for providers of direct services to clients. The legislature approved family foster care, foster care facility, and subsidized adoption provider rate increases of approximately 2.8 percent in fiscal 2002 and provided an additional increase for family foster care providers of 25 cents per day beginning in fiscal year 2002.

Funding

The Child and Family Services Division is funded by a combination of general fund, state special revenue from third party contributions to the costs of care, and federal funds. As illustrated in Table 16, general fund provides 42.1 percent of the funding for the division in fiscal 2002 and 45.9 percent in fiscal 2003. The change in the general fund as a percentage of total funds is due in part to a biennial appropriation of \$3.0 million federal funds that is included in fiscal 2002 but which may be expended in either year of the biennium. When adjusted for this biennial appropriation, general fund provides 43.4 and 44.5 percent of the total funding for the division in fiscal 2002 and 2003, respectively.

General fund as a percentage of total funds decreases in the 2003 biennium when compared with fiscal 2000. The legislature approved a change in funding for foster care services, which decreased general fund by \$1.9 million, decreased federal funds from Title IV-E of the Social Security Act by \$1.1 million, and increased federal Temporary Assistance for Needy Families (TANF) block grant support by \$3.0 million. The executive proposed this funding shift as a means to minimize the department's need for a supplemental appropriation for the 2001 biennium and the related impact on 2003 biennium appropriations.

Table 16
Child and Family Services Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$18,116,310	\$20,539,015	\$21,714,708	45.9%
Percent of Total	45.0%	42.1%	45.9%	
State Special Revenue				
Third Party Contributions - F.C.	\$583,914	\$1,100,000	\$1,130,000	2.4%
Assault, Intervention and Treatment	148,123	148,123	148,123	0.3%
Child Abuse and Neglect Program.	30,766	30,766	30,766	0.1%
Other (Adoption/Family Preservation)	3,159	(8,935)	27,781	0.1%
County Reimbursements	<u>2,111,067</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Subtotal State Special Revenue	<u>\$2,877,029</u>	<u>\$1,269,954</u>	<u>\$1,336,670</u>	<u>2.8%</u>
Percent of Total	7.2%	2.6%	2.8%	
Federal Funds				
Foster Care and Adoption IVE	\$7,826,788	\$11,846,245	\$9,367,793	19.8%
Cost Allocation	6,133,012	6,773,921	6,844,984	14.5%
TANF Benefits	1,311,524	3,354,088	3,354,098	7.1%
Title XX - Social Services Block Gt	2,068,307	2,850,000	2,460,602	5.2%
Family Preservation	608,395	608,395	608,395	1.3%
Independent Living IVE	215,229	519,795	519,864	1.1%
Domestic Violence	432,198	432,198	432,198	0.9%
Child Welfare Services IVB	271,396	271,396	271,396	0.6%
Child Abuse Challenge	170,833	170,833	170,833	0.4%
Child Abuse	79,042	79,042	79,042	0.2%
Child Justice	36,769	36,769	36,769	0.1%
Crisis Nursery	58,759	30,763	30,763	0.1%
CAPS Development	22,926	22,822	22,821	0.0%
Adoption Incentive Funds	<u>0</u>	<u>16,814</u>	<u>16,814</u>	<u>0.0%</u>
Subtotal Federal Funds	<u>\$19,235,178</u>	<u>\$27,013,081</u>	<u>\$24,216,372</u>	<u>51.2%</u>
Percent of Total	47.8%	55.3%	51.2%	
Total Funds	<u>\$40,228,517</u>	<u>\$48,822,050</u>	<u>\$47,267,750</u>	<u>100.0%</u>
Increase Above Base		21.4%	17.5%	
Annual Rate of Change from Base		10.2%	5.5%	

State special revenue support for the division declines from 7.2 percent in fiscal 2000 to approximately 2.5 percent annually in the 2003 biennium. The most significant change in state special revenue for the division is due to the fiscal impact of HB 124, which provided that protective services be funded with general fund rather than county funds. Due to the fiscal impact of HB 124, general fund support for the division was increased \$2,206,194 and \$2,241,893 in fiscal 2002 and 2003, respectively and state special revenue was reduced \$2,172,078 and \$2,135,314.

State special revenue from third party contributions to the costs of foster care appear as an increase in Table 16 due to an understatement of the funding from this source in fiscal year 2000. 2003 biennium funding from this source is projected at the corrected fiscal 2000 funding level.

Federal funding sources include:

- ?? Title IV-E Foster Care and Subsidized Adoption funds
- ?? Temporary Assistance for Needy Families (TANF) funds
- ?? Social Service Block Grant (Title XX) funds
- ?? Title IV-B Child Welfare funds
- ?? Title IV-B part II, Family Preservation Grant funds

The legislature approved a \$3.0 million biennial federal funds appropriation to support a community collaboration project, which seeks to refinance community services by using funding currently expended by communities to capture additional federal reimbursement for services eligible for funding under Title IV-E of the Social Security Act. The legislature also approved an appropriation of \$25,000 general fund and \$25,000 federal funds to support 1.0 FTE to complete this community collaboration project.

Other Legislation

The 2001 legislature passed several bills that had no impact on HB 2 for the 2003 biennium but that will impact the operations of the division and are noteworthy changes in policy. These bills are summarized below.

Senate Joint Resolution 8: This resolution requests that a legislative interim study of the privatization of foster care and adoption services be completed by September 15, 2002. This resolution provides that the study may consider a number of items including payment and reimbursement issues and the impact of privatization on current state employees involved in foster care and adoption administration and services.

Senate Bill 116: This bill revised child abuse and neglect laws and included provisions:

- ?? Requiring that an employee of an entity that contracts with the department to provide direct services to children report suspected cases of child abuse and neglect
- ?? Allowing the department to assess reports of abuse and neglect and make a determination regarding the level of response required and timeframe within which action must be initiated (this is a modification to the requirement that the department investigate all reports of abuse and neglect)
- ?? Clarifying language regarding payment for court ordered services including that the department must consent to the services and inform the court that resources are available to pay for services ordered by the court
- ?? Defining transitional living programs and providing the department authority to administer those programs
- ?? Specifying that the department shall require an applicant for a youth foster home license submit to a criminal and child protection background check

Senate Bill 132: This bill: 1) provides for a safe haven for abandoned newborns; 2) provides that the department assume care, control, and temporary protective custody of the newborn; and 3) requires that the department establish a safe delivery program and the components of that program. The provisions of SB 132 are effective July 1, 2001 and terminate June 30, 2004.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					65,184					134,007
Vacancy Savings					(334,921)					(336,987)
Inflation/Deflation					7,164					14,093
Fixed Costs					151,008					167,481
Total Statewide Present Law Adjustments					(\$111,565)					(\$21,406)
DP 39 - Subsidized Adoption Caseload Increase	0.00	562,751	0	527,851	1,090,602	0.00	921,826	0	864,659	1,786,485
DP 40 - Foster Care Caseload Increase	0.00	654,052	0	352,182	1,006,234	0.00	1,009,835	0	543,757	1,553,592
DP 60 - Leased Vehicles from DOT	0.00	21,210	0	14,141	35,351	0.00	41,688	0	27,793	69,481
DP 62 - Field Staff Operations	0.00	180,000	0	120,000	300,000	0.00	180,000	0	120,000	300,000
DP 64 - Computer Hardware	0.00	49,800	0	33,200	83,000	0.00	123,504	0	82,336	205,840
DP 301 - Big Brothers/Big Sisters Base Year Corrections	0.00	44,792	0	0	44,792	0.00	44,792	0	0	44,792
DP 609 - Adjust and Shift Foster Care Funding	0.00	(680,777)	577,096	103,681	0	0.00	(310,798)	607,097	(296,299)	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(325)	0	(366)	(691)	0.00	(325)	0	(366)	(691)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(8,047)	0	(1,903)	(9,950)	0.00	(8,074)	0	(1,910)	(9,984)
DP 699 - Vacancy Savings at 4 Percent	0.00	(99,161)	(11,434)	(52,657)	(163,252)	0.00	(99,579)	(11,483)	(52,880)	(163,942)
DP 889 - Adjust. Tribal Contracts	0.00	0	0	937,990	937,990	0.00	0	0	937,990	937,990
Total Other Present Law Adjustments	0.00	\$724,295	\$565,662	\$2,034,119	\$3,324,076	0.00	\$1,902,869	\$595,614	\$2,225,080	\$4,723,563
Grand Total All Present Law Adjustments					\$3,212,511					\$4,702,157

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 39 - Subsidized Adoption Caseload Increase - The legislature approved \$1.5 million general fund and \$1.4 million federal funds to support a 15 percent per year increase in the subsidized adoption caseload. For further discussion of the caseload increase approved by the legislature, please refer to the program narrative.

DP 40 - Foster Care Caseload Increase - The legislature approved \$1.7 million general fund and \$0.9 million federal funds to support an anticipated 3 percent per year increase in the foster care caseload. For further discussion of the caseload increase approved by the legislature, please refer to the program narrative.

DP 60 - Leased Vehicles from DOT - The legislature approved \$63,000 general fund and \$42,000 federal funds for the lease of replacement vehicles (nine in fiscal 2002 and seven in fiscal 2003).

DP 62 - Field Staff Operations - The legislature approved \$360,000 general fund and \$240,000 federal funds for the costs of overtime for social workers and office space rental for local offices.

DP 64 - Computer Hardware - The legislature approved \$173,000 general fund and \$116,000 in federal funds as a one-time-only appropriation to replace existing desktop computers with leased equipment. The Child and Family Services Division plans to replace half of the division's desktop computers in each year of the 2003 biennium. The replacement of four file servers and four printers per year is also planned.

DP 301 - Big Brothers/Big Sisters Base Year Corrections - The legislature approved maintenance of the Big Brothers/Big Sisters program at \$183,285, the fiscal 2000 expenditure level. This adjustment was necessary because an accounting error resulted in \$44,792 of costs being unrecorded in fiscal 2000, understating the base budget. The legislature also approved an increase in funding for this program, which is included in DP 608 in the "New Proposals" section.

DP 609 - Adjust and Shift Foster Care Funding - The legislature approved a funding adjustment that shifts funding for foster care services among funding sources. This adjustment includes a reduction in general fund and increased funding from third parties, which was not booked on the accounting records at fiscal year end.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

DP 889 - Adjust Tribal Contracts - The legislature approved increased federal funding of \$937,990 per year (\$1,875,980 for the biennium) to correct base year expenditures that were understated. The base year expenditures for foster care services were \$16.2 million rather than the \$15.3 million included in the base budget.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 118 - Foster Care Rate Increase										
03	0.00	434,359	0	233,886	668,245	0.00	436,815	0	235,208	672,023
DP 122 - Subsidized Adoption Rate Increase										
03	0.00	124,350	0	116,638	240,988	0.00	125,176	0	117,413	242,589
DP 123 - Foster Care Facilities Rate Increase										
03	0.00	213,938	0	115,198	329,136	0.00	215,148	0	115,849	330,997
DP 139 - Child Protective Services										
03	5.25	459,739	0	108,177	567,916	6.00	515,111	0	26,725	541,836
DP 425 - House Bill 124, Revise Local Government Funding										
03	0.00	2,206,194	(2,172,078)	0	34,116	0.00	2,241,893	(2,135,314)	0	106,579
DP 607 - Community Collaboration Project (Title IV-E)										
03	1.00	25,000	0	3,025,000	3,050,000	1.00	25,000	0	25,000	50,000
DP 608 - Big Brothers Big Sisters Increase										
03	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
DP 612 - Adoption Services										
03	0.00	24,500	0	0	24,500	0.00	24,500	0	0	24,500
DP 621 - IV-E Independent Living Grant Increase										
03	0.00	0	0	285,000	285,000	0.00	0	0	285,000	285,000
DP 623 - Shift General Fund to Child Support Enforcement										
03	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 629 - In-Home Services										
03	0.00	100,000	0	0	100,000	0.00	0	0	0	0
DP 631 - Family Foster Care Rate Increase 25 cents per day										
03	0.00	54,193	0	29,181	83,374	0.00	55,819	0	30,056	85,875
DP 689 - FTE Reduction										
03	(1.00)	(20,253)	0	0	(20,253)	(1.00)	(20,323)	0	0	(20,323)
DP 893 - Maximize TANF funding in Foster Care										
03	0.00	(1,941,212)	0	1,941,212	0	0.00	(1,941,212)	0	1,941,212	0
Total	5.25	\$1,698,808	(\$2,172,078)	\$5,854,292	\$5,381,022	6.00	\$1,695,927	(\$2,135,314)	\$2,776,463	\$2,337,076

New Proposals

DP 118 - Foster Care Rate Increase - The legislature approved \$871,000 general fund and \$469,000 federal funds for a 2.8 percent provider rate increase for family foster care homes in the first year of the 2003 biennium.

DP 122 - Subsidized Adoption Rate Increase - The legislature approved \$250,000 general fund and \$234,000 federal funds to support an adoption subsidy rate increase of 2.8 percent in the first year of the 2003 biennium.

DP 123 - Foster Care Facilities Rate Increase - The legislature approved \$429,000 general fund and \$231,000 federal funds to support a 2.8 percent provider rate increase for foster care facilities in the first year of the 2003 biennium.

DP 139 - Child Protective Services - The legislature approved \$975,000 general fund and \$135,000 federal funds to implement a redesign of the child welfare system in Montana. This item includes funding for: 1) 5.25 FTE in fiscal 2002 and 6.0 FTE in fiscal 2003; 2) a centralized intake process; 3) an increased amount of in-home services (\$275,000 for the biennium); and 4) completion of 300 more family group conferences each year.

DP 425 - House Bill 124, Revise Local Government Funding - This decision package reflects the funding changes necessary due to provisions of HB 124. HB 124 provided that protective services be funded with general fund rather than county funds. Due to the fiscal impact of HB 124, general fund support for the division was increased \$2,206,194 and \$2,241,893 in fiscal 2002 and 2003, respectively and state special revenue was reduced \$2,172,078 and \$2,135,314.

DP 607 - Community Collaboration Project (Title IV-E) - The legislature approved the addition of 1.0 FTE, \$50,000 general fund and \$3.0 million federal funds to support a community collaboration project that will implement use of community funds as matching funds to obtain additional federal reimbursement under Title IV-E of the Social Security Act. This is a one-time-only appropriation.

DP 608 - Big Brothers Big Sisters Increase - The legislature approved increased funding for the Big Brothers/Big Sisters program of \$50,000 general fund for the biennium. This is a one-time-only appropriation. Funding in the Operations and Technology Division was reduced by this amount.

DP 612 - Adoption Services - The legislature provided \$49,000 general fund for the biennium to support contracted services related to adoptions.

DP 621 - IV-E Independent Living Grant Increase - The legislature appropriated an additional \$570,000 federal funds for the biennium for an increase in the federal IV-E Independent Living Grant. The required general fund match is available within the division's existing budget.

DP 623 - Shift General Fund to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts general fund from various divisions within the department to the Child Support Enforcement Division to partially reinstate an FTE reduction approved by the legislature.

DP 629 - In-Home Services - The legislature approved \$100,000 general fund in fiscal 2002 for In-Home Services.

DP 631 - Family Foster Care Rate Increase 25 cents per day - The legislature provided a 25 cent per day increase in the family foster care rate. Current family foster care rates are \$14.28 per day for children up to age 13 and \$17.34 for children age 13 and older. The additional 25 cents per hour raises these rates to \$14.53 and \$17.59 per day, respectively.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

DP 893 - Maximize TANF funding in Foster Care - The legislature approved a change in foster care funding which decreases general fund and federal funding from Title IV-E and increases TANF funding for foster care services. The annual funding changes are: 1) decrease general fund by \$1.9 million; 2) decrease federal Title IV-E funding by \$1.0 million; and 3) increase TANF funding approximately \$2.9 million.

Language

Item [Child and Family Services] includes increases of \$2,206,194 of general fund in fiscal 2002 and \$2,241,893 of general fund in fiscal 2003 and reductions of \$2,172,078 of state special revenue in fiscal 2002 and of \$2,135,314 of state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 124.

Funds in item [In-Home Services] may be used only to support the costs of in-home services for families in the child welfare system. The department estimates that 100 families or 200 children will be served with this funding and that 80 percent of the families served will not enter the foster care system. If the department achieves this goal, the estimated increases in the foster care caseload will decrease from 3 percent to 2 percent. Any savings realized because of a lower than anticipated caseload increase may be used by the department to expand the provision of in-home services or other services within the child welfare system.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	31.50	0.00	7.00	38.50	0.00	7.00	38.50	38.50
Personal Services	1,269,796	53,135	281,378	1,604,309	60,960	286,159	1,616,915	3,221,224
Operating Expenses	935,812	204,147	1,394,274	2,534,233	267,443	1,393,096	2,596,351	5,130,584
Equipment	0	0	8,948	8,948	0	8,948	8,948	17,896
Debt Service	11,897	0	0	11,897	0	0	11,897	23,794
Total Costs	\$2,217,505	\$257,282	\$1,684,600	\$4,159,387	\$328,403	\$1,688,203	\$4,234,111	\$8,393,498
General Fund	550,778	(4,958)	625,498	1,171,318	(1,065)	629,070	1,178,783	2,350,101
State/Other Special	966,273	215,828	31,726	1,213,827	278,094	31,290	1,275,657	2,489,484
Federal Special	700,454	46,412	1,027,376	1,774,242	51,374	1,027,843	1,779,671	3,553,913
Total Funds	\$2,217,505	\$257,282	\$1,684,600	\$4,159,387	\$328,403	\$1,688,203	\$4,234,111	\$8,393,498

Program Description

The Director's Office provides overall policy development for the department. Specific functions within the Director's Office are legal affairs, personnel services, public information, and state and local relations. The 2001 legislature transferred administration of the tobacco control and prevention program to this program. The Director's Office also provides support for the Montana Telecommunications Access Program (MTAP), which purchases telephone communications devices and relay services for hearing, speech or mobility impaired persons. The Board of Health and Human Services Appeals, the Public Health and Human Services Statewide Advisory Council, and the Montana Health Care Advisory Council are administratively attached.

Program Narrative

The Director's Office annual appropriation for the 2003 biennium is nearly double base budget expenditures. The most significant changes over the biennium are:

- ?? Transfer of 5.0 FTE and \$3.0 million total funds, including \$1.1 million general fund, from the Health Policy and Services Division for tobacco control and prevention
- ?? Addition of 1.0 FTE and \$0.5 million in state special revenue to fund increases in relay services, purchase of hearing screening equipment for newborns, and other operating cost increases for MTAP
- ?? Addition of statewide present law adjustments of \$0.3 million
- ?? Addition of 1.0 FTE and \$0.2 million, including \$0.1 million general fund, for a deputy director position
- ?? Addition of \$0.2 million general fund with an offsetting reduction of state special revenue for a net increase of \$8,759 to implement HB 124
- ?? Addition of \$0.1 million state special revenue to fund expansion of the AmeriCorps*Vista program
- ?? Reductions for vacancy savings and other items totaling \$0.2 million total funds, including \$0.1 million general fund

Transfer of Tobacco Prevention and Control

The legislature transferred administration of the tobacco control and prevention program from the Health Policy and Services Division to the Director's Office. Table 17 shows base budget funding and FTE, changes made by the legislature, and the net amounts that were transferred. The legislature also added language to HB 2, indicating its intent that the Interagency Coordinating Council on Prevention, which is administratively attached to the Director's Office, administer the program.

The legislature accepted the executive request to reduce the tobacco control and prevention program appropriation by \$6 million general fund over the biennium. There were several other legislative actions that also reduced the general fund appropriation, including increased vacancy savings and rent reductions, but the effect was minor compared to the major executive policy. The legislature appropriated an increase in federal grant funds that support the program, partially offsetting the general fund reduction. Individual decision packages that change the appropriations for tobacco control and prevention are discussed in the Health Policy and Services Division.

Funding

The total funding and the funding mix supporting the Director's Office change from the base budget to the fiscal 2003 appropriation. Federal funds increase from 31.6 of total funds in the base budget to 42 percent of the total in fiscal 2003, while general fund increases from 24.8 percent to 27.8 percent. State special revenue declines from 43.6 of total base expenditures to 30.1 percent of the fiscal 2003 appropriation.

Table 17
Tobacco Control and Prevention Program Base Budget,
Appropriation Changes and Net Transfer to Director's Office

Program/Appropriation Changes from Base Budget	Fiscal 2000 Base	Legislative Appropriation	
		Fiscal 2002	Fiscal 2003
<u>Base Budget Health Policy and Services Division</u>			
FTE	6.37	1.37	1.37
General Fund	\$3,509,161	\$0	\$0
Federal Funds	821,020	0	0
Total Funds	<u>\$4,330,181</u>	<u>\$0</u>	<u>\$0</u>
<u>Changes Enacted for 2003 Biennium</u>			
General Fund Reductions		(\$3,006,996)	(\$3,007,006)
Net Increase in Federal Grant		<u>\$159,106</u>	<u>\$159,573</u>
		(\$2,847,890)	(\$2,847,433)
<u>Net Transfer to Director's Office</u>			
FTE	0.00	5.00	5.00
General Fund	\$0	\$502,165	\$502,155
Federal Funds	0	<u>980,126</u>	<u>980,593</u>
Total Funds	<u>\$0</u>	<u>\$1,482,291</u>	<u>\$1,482,748</u>

Table 18
Director's Office Funding

Fund Source	Actual Fiscal 2000	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$550,778	\$1,171,318	\$1,178,783	27.8%
Percent of Total Funds	24.8%	28.2%	27.8%	
State Special Revenue				
Telecommunications Access	\$695,226	\$931,090	\$991,825	23.4%
ICC Donations	37,010	106,827	106,826	2.5%
Indirect /Cost Allocation	<u>234,037</u>	<u>175,910</u>	<u>177,006</u>	4.2%
Subtotal State Special Revenue	<u>\$966,273</u>	<u>\$1,213,827</u>	<u>\$1,275,657</u>	30.1%
Percent of Total Funds	43.6%	29.2%	30.1%	
Federal Funds				
Tobacco Control and Prevention	\$0	\$980,126	\$980,593	23.2%
Indirect /Cost Allocation	<u>700,454</u>	<u>794,116</u>	<u>799,078</u>	18.9%
Subtotal Federal Funds	<u>\$700,454</u>	<u>\$1,774,242</u>	<u>\$1,779,671</u>	42.0%
Percent of Total Funds	31.6%	42.7%	42.8%	
Total Funds	<u>\$2,217,505</u>	<u>\$4,159,387</u>	<u>\$4,234,111</u>	<u>100.0%</u>
Increase Above Base		87.6%	90.9%	
Annual Rate of Change from Base		37.0%	24.1%	

The state special revenue reduction is largely due to HB 124, which changed the way local governments are funded. Previously, a share of Director's Office costs were allocated to counties. The legislature increased general fund and reduced county funds due to passage of HB 124.

Other state special revenue funds that support the Director's Office are derived through Interagency Coordinating Council funding transfers, the DPHHS cost allocation plan, and the MTAP tax -- a monthly ten-cent assessment on every telephone line in the state. This assessment is collected by telecommunication services providers.

The legislature discussed the ending fund balance in the MTAP account which was projected to total between \$0.7 to \$1.2 million by the end of the 2003 biennium. The legislature chose to leave the balance in the account.

Federal funds are tobacco control and prevention grants and a portion of federal grants received by the department that are used to pay administrative costs associated with the Director's Office. Transfer of the tobacco control program is the most significant reason that federal funds increase as a percent of the total appropriation.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				150,257						158,406
Vacancy Savings				(39,098)						(39,341)
Inflation/Deflation				2,554						4,835
Fixed Costs				10,142						11,408
Total Statewide Present Law Adjustments				\$123,855						\$135,308
DP 200 - MTAP Sprint Relay	0.00	0	202,583	0	202,583	0.00	0	262,370	0	262,370
DP 695 - Reduce General Fund to Support Deputy	0.00	(40,000)	0	0	(40,000)	0.00	(40,000)	0	0	(40,000)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(4,002)	(1,164)	(5,966)	(11,132)	0.00	(4,016)	(1,168)	(5,986)	(11,170)
DP 699 - Vacancy Savings at 4 Percent	0.00	(6,793)	(3,965)	(7,266)	(18,024)	0.00	(6,823)	(3,982)	(7,300)	(18,105)
Total Other Present Law Adjustments	0.00	(\$50,795)	\$197,454	(\$13,232)	\$133,427	0.00	(\$50,839)	\$257,220	(\$13,286)	\$193,095
Grand Total All Present Law Adjustments				\$257,282						\$328,403

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 200 - MTAP Sprint Relay - The legislature added \$464,953 state special revenue over the biennium to meet increased contract costs associated with relay services for MTAP and expanded outreach efforts. MTAP contracts for telephone relay services. The base budget rate is \$1.20 per relay minute compared to contract rates of about \$1.30 for the 2003 biennium. While the Executive Budget was based on a rate of \$1.50 per minute (a 25 percent increase), the legislature approved the full request with the understanding that funds not expended on relay services would be used for other services, such as expanded outreach.

DP 695 - Reduce General Fund to Support Deputy - The legislature reduced general fund \$40,000 each year of the biennium. The legislature made the reduction to offset the cost increase of adding a deputy director position. The legislature did not specify what actions DPHHS should take to reduce expenditures to accomplish the funding reduction, leaving such decisions up to the discretion of the director.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 96 - AmeriCorps*Vista Program										
04	0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
DP 97 - MTAP Human Services Specialist FTE										
04	1.00	0	36,439	0	36,439	1.00	0	36,566	0	36,566
DP 421 - Transfer Tobacco Control and Prevention Program										
04	5.00	502,165	0	980,126	1,482,291	5.00	502,155	0	980,593	1,482,748
DP 425 - HB 124 - Revise Local Government Funding										
04	0.00	93,333	(90,463)	0	2,870	0.00	96,915	(91,026)	0	5,889
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
04	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 884 - Deputy Director										
04	1.00	37,000	15,750	47,250	100,000	1.00	37,000	15,750	47,250	100,000
Total	7.00	\$625,498	\$31,726	\$1,027,376	\$1,684,600	7.00	\$629,070	\$31,290	\$1,027,843	\$1,688,203

New Proposals

DP 96 - AmeriCorps*Vista Program - The legislature appropriated \$140,000 state special revenue over the biennium to maintain the current anticipated number of AmeriCorps*VISTA volunteers, and to continue the AmeriCorps*VISTA contract with the Corporation for National and Community Service (CNCS). By the end of fiscal 2001, DPHHS estimates there will be 10 cost-share volunteers and 20 CNCS supported volunteers in Montana. The state special revenue is an annual fee paid by the community program requesting AmeriCorps*VISTA services.

Each community program must submit an outline of the project the volunteer will be involved with as well as the project duration. The fee paid by the community is based on the number of years needed to accomplish project goals.

DP 97 - MTAP Human Services Specialist FTE - The legislature accepted the executive request to add \$73,005 state special revenue over the biennium for 1.0 FTE human services specialist position for MTAP. This position will be responsible for providing installation, service and training in use of telephone devices and related equipment for deaf and hearing-impaired Montanans.

DP 421 - Transfer Tobacco Control and Prevention Program - The legislature transferred 5.0 FTE and \$3 million total funds (\$1 million general fund) over the biennium from the Health Policy and Services Division to the Interagency Coordinating Council on Prevention in the Director's Office. The legislature added language to HB 2 indicating its intent that the Interagency Coordinating Council administer the program.

DP 425 - HB 124 - Revise Local Government Funding - The legislature passed HB 124, which revises local government funding. One of the changes in HB 124 replaces county funding of public welfare and foster care functions with general fund. The legislature added \$190,248 general fund over the biennium and reduced state special revenue county funds by \$181,489. The net increase in general fund (\$8,759 over the biennium) supports the pay plan increase that would have been funded from county funds prior to the passage of HB 124. The pay plan appropriation was included in HB 2 since the pay plan bill (HB 13) was transmitted to the Governor prior to the passage of HB 124.

DP 623 - Shift Funding to Child Support Enforcement - DPHHS - The legislature approved a plan submitted by DPHHS that shifts \$250,000 general fund from various divisions to the Child Support Enforcement Division. This funding shift partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

DP 884 - Deputy Director - The legislature approved the executive request to fund a deputy director position. The change adds \$200,000 total funds (including \$74,000 general fund) over the biennium. The legislature reduced general fund in the Director's Office budget by \$80,000 over the biennium to offset this cost increase (present law adjustment DP 695).

Language

Item [Director's Office] includes \$1,482,291 in fiscal 2002 and \$1,482,748 in fiscal 2003 for the tobacco prevention and control program. It is the intent of the legislature that the Interagency Coordinating Council on Prevention administer the tobacco control and prevention program.

Funds in item [deputy director appropriation] may be used only to fund a deputy director position within the department.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	189.75	0.00	(6.00)	183.75	0.00	(6.00)	183.75	183.75
Personal Services	6,071,450	686,537	75,292	6,833,279	722,366	73,058	6,866,874	13,700,153
Operating Expenses	2,278,971	174,596	877,695	3,331,262	152,589	142,786	2,574,346	5,905,608
Equipment	0	0	0	0	0	0	0	0
Local Assistance	6,249	0	0	6,249	0	0	6,249	12,498
Debt Service	12,458	0	0	12,458	0	0	12,458	24,916
Total Costs	\$8,369,128	\$861,133	\$952,987	\$10,183,248	\$874,955	\$215,844	\$9,459,927	\$19,643,175
General Fund	211	(211)	225,000	225,000	(211)	225,000	225,000	450,000
State/Other Special	2,327,013	679,528	70,606	3,077,147	683,939	(147,023)	2,863,929	5,941,076
Federal Special	6,041,904	181,816	657,381	6,881,101	191,227	137,867	6,370,998	13,252,099
Total Funds	\$8,369,128	\$861,133	\$952,987	\$10,183,248	\$874,955	\$215,844	\$9,459,927	\$19,643,175

Program Description

The Child Support Enforcement Division (CSED) is responsible for pursuing and obtaining financial and medical support for children. The division pursues establishment of paternity, enforcement of child support court orders, and collection of financial support owed by obligated parents. Division staff locate absent parents, identify and locate assets, establish paternity, and ensure that obligated parents maintain medical insurance coverage for their dependent children. Child support services are provided to families receiving public assistance and families not on public assistance who request services. Child support services are available to families regardless of income level.

Activities performed by the division are authorized in Title 40, Chapter 5, MCA and are mandated under Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Narrative

The legislature adopted a portion of the CSED 15 percent reduction plan, which resulted in a reduction by 26.0 FTE. The state special revenue that supported these FTE (\$357,446 annually) was moved to the Operations and Technology Division to fund the System for the Enforcement and Recovery of Child Support (SEARCHS) costs and the general fund support for the SEARCHS system was reduced by this amount. The legislature subsequently approved three actions, which when combined result in reinstatement of these 26.0 FTE. The three actions taken by the legislature to reinstate these FTE included:

1. approval of a plan submitted by the department to shift \$125,000 general fund and matching federal funds per year from various divisions within the department to the Child Support Enforcement Division to support 10.0 FTE;
2. provision of \$100,000 general fund and matching federal funds per year to reinstate 8.0 FTE; and
3. provision of \$132,000 state special revenue and \$256,235 federal funds per year to support 8.0 FTE.

The legislature also removed 8.0 FTE that had been vacant for more than seven months. The funding for these positions remains in the approved budget. However, the division must request the positions as new positions in the 2005 biennium budget request.

Funding

The 2003 biennium budget for CSED is funded by \$450,000 general fund, with the balance of the division's budget being funded by state special revenue and federal funds. Federal funds provide approximately 67 percent of the funding for the division.

The primary sources of state special revenue for CSED consist of:

1. retention of the state's share of child support collections for clients who receive or have received assistance from Families Achieving Independence in Montana (FAIM), Montana's TANF program; and
2. performance-based incentive funds awarded by the federal government.

The child support state special revenue account also provides approximately \$1.3 million, or 19.1 percent of the funding needed to support the System for the Enforcement and Recovery of Child Support (SEARCHS) automated system. The general fund provides \$1.0 million or 14.9 percent of the funding for SEARCHS and federal funds provide \$4.4 million or 66.0 percent.

Fund Source	Fiscal 2000 Actual	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$211	\$225,000	\$225,000	2.4%
Percent of Total	0.0%	2.2%	2.4%	
State Special Revenue				
Child Support State Share	\$2,327,013	\$3,077,147	\$2,863,929	30.3%
Percent of Total	27.8%	30.2%	30.3%	
Federal Funds				
Child Support IVD 66 Percent	5,718,559	6,469,524	5,958,562	63.0%
TANF Benefits	198,281	247,331	248,190	2.6%
Access and Visitation Grant	41,858	100,000	100,000	1.1%
Child Support IVD 90 Percent	83,206	64,246	64,246	0.7%
Subtotal Federal Funds	<u>\$6,041,904</u>	<u>\$6,881,101</u>	<u>\$6,370,998</u>	<u>67.3%</u>
Percent of Total	72.19%	67.57%	67.35%	
Total Funds	<u>\$8,369,128</u>	<u>\$10,183,248</u>	<u>\$9,459,927</u>	<u>100.0%</u>
Increase Above Base		21.7%	13.0%	
Annual Rate of Change from Base		10.3%	4.2%	

Table 19 summarizes the actual and anticipated revenue and expenditures of child support state special revenue for fiscal 2000 through fiscal 2003. Revenues are expected to stabilize at approximately \$4.1 million per year. Expenditures vary from year to year due in part to the amount of general fund support provided to CSED and the costs associated with SEARCHS. Because 2001 biennium collections of state special revenue were greater than anticipated, the department plans to:

- ?? Revert \$646,725 general fund appropriated to support the division in fiscal 2000
- ?? Transfer \$638,154 general fund appropriated in fiscal 2001 to the Addictive and Mental Disorders Division for mental health services
- ?? Utilize \$856,674 of state special revenue instead of general fund in fiscal 2001 for costs of the SEARCHS system

The balance in the child support state special revenue fund is estimated to be \$1.0 million at the end of the 2003 biennium. However, as Table 20 illustrates, the ongoing revenue in this fund is not adequate to support ongoing expenditures. In the 2003 biennium \$1.4 million general fund supports costs associated with the CSED and the SEARCHS system. The child support state special revenue fund continues to have a structural imbalance when revenues are compared to total expenditures for the CSED and the SEARCHS system.

The revised federal incentive program included in the Child Support Performance and Incentive Act of 1998, has been beneficial to Montana. However, federal law includes language requiring states to utilize the federal incentive funds to supplement child support enforcement programs and not to supplant current funding for programs. Failure to comply with this requirement could result in the loss of federal incentive funds equal to the amount of funds supplanted. Compliance with this requirement will be measured by using the expenditure level for either the average of the three federal fiscal years 1996, 1997, and 1998, or federal fiscal 1998 as the base. The department has determined that it is most beneficial for Montana to use federal fiscal 1998 as the base for determining compliance.

Description	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003
Beginning Balance	\$400,949	\$493,672	\$317,011	\$837,514
Revenues:				
State Share of TANF Collections	\$1,242,632	\$1,180,500	\$1,121,475	\$1,065,402
Federal Incentive Funds	1,946,280	2,689,863	2,965,620	3,035,588
Other Revenue	23,162	18,000	18,000	18,000
Total Revenues	<u>\$3,212,074</u>	<u>\$3,888,363</u>	<u>\$4,105,095</u>	<u>\$4,118,990</u>
Expenditures:				
CSED Legislative Appropriation	\$2,327,013	\$2,420,196	\$3,077,147	\$2,863,929
Cost Allocation	145,613	150,000	150,000	37,013
SEARCHS System *	0	856,674	357,446	906,446
2001 Biennium Funding Change*	646,725	638,154	0	0
Total Expenditures	<u>\$3,119,351</u>	<u>\$4,065,024</u>	<u>\$3,584,593</u>	<u>\$3,807,388</u>
Revenue Over (Under) Expenses	<u>\$92,723</u>	<u>(\$176,661)</u>	<u>\$520,502</u>	<u>\$311,602</u>
Ending Balance	<u>\$493,672</u>	<u>\$317,011</u>	<u>\$837,514</u>	<u>\$1,149,115</u>
Summary of General Fund Support :*				
CSED Legislative Appropriation			\$225,000	\$225,000
SEARCHS Legislative Appropriation			<u>737,391</u>	<u>254,214</u>
Total General Fund Support			<u>\$962,391</u>	<u>\$479,214</u>
*Notes:				
CSED is the Child Support Enforcement Division.				
SEARCHS is the System for the Enforcement and Recovery of Child Support.				
CSED received a general fund appropriation for the 2001 biennium. However, the department plans to revert the fiscal 2000 appropriation of \$646,725 and to transfer the fiscal 2001 appropriation of \$638,154 to the Addictive and Mental Disorders Division. State special revenue will be used to fund CSED costs rather than general fund in the 2001 biennium.				
The legislature appropriated general fund of \$962,391 in fiscal 2002 and \$479,214 in fiscal 2003 to support CSED and SEARCHS costs.				

Other sources of federal funds supporting CSED include:

- ?? the Temporary Assistance for Needy Families (TANF) block grant (\$495,521), which supports 7.0 FTE liaisons whose duty is to help welfare recipients and workers in welfare offices understand child support
- ?? the Access and Visitation Grant (\$200,000), a federal grant with the objective of facilitating access to and visitation with their children by noncustodial parents

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				965,557					1,002,883
Vacancy Savings				(190,720)					(191,840)
Inflation/Deflation				(2,636)					(809)
Fixed Costs				41,786					43,858
Total Statewide Present Law Adjustments				\$813,987					\$854,092
DP 11 - Voice Response Unit Enhancements									
0.00	0	10,200	19,800	30,000	0.00	0	0	0	0
DP 12 - Contract Adjustments									
0.00	0	10,880	21,120	32,000	0.00	0	10,880	21,120	32,000
DP 13 - Office Lease Renegotiation for Inflation									
0.00	0	3,005	5,833	8,838	0.00	0	4,397	8,535	12,932
DP 14 - Access and Visitation Grant									
0.00	0	11,111	59,816	70,927	0.00	0	11,111	59,816	70,927
DP 696 - Data Network Fixed Cost Reduction									
0.00	0	(575)	(2,244)	(2,819)	0.00	0	(575)	(2,244)	(2,819)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	0	0	0	0	0.00	0	0	0	0
DP 699 - Vacancy Savings at 4 Percent									
0.00	0	(30,096)	(61,704)	(91,800)	0.00	0	(30,221)	(61,956)	(92,177)
Total Other Present Law Adjustments									
0.00	\$0	\$4,525	\$42,621	\$47,146	0.00	\$0	(\$4,408)	\$25,271	\$20,863
Grand Total All Present Law Adjustments				\$861,133					\$874,955

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 11 - Voice Response Unit Enhancements - The legislature approved \$30,000 in state special revenue and federal funds in the first year of the biennium for upgrades to the voice response system. System upgrades would allow customers more automated options, including access to more payment information and information regarding obligor notices.

DP 12 - Contract Adjustments - The legislature approved \$64,000 in state special revenue and federal funds for the biennium to fund adjustments in contracts for the Customer Service Unit (\$24,000) and New Hire Reporting (\$40,000).

DP 13 - Office Lease Renegotiation for Inflation - The legislature approved \$21,770 state special revenue and federal funds for the biennium to support increased costs for office leases. This represents an increase of 2.6 percent in fiscal 2002 and an additional 1.1 percent in fiscal 2003.

DP 14 - Access and Visitation Grant - The legislature approved \$141,854 of state special revenue and federal funds for the biennium for the Access and Visitation Grant. The purpose of this grant is to facilitate non-custodial parents' access to and visitation with their children.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 10 - Funding of 2 FTE										
05	2.00	0	27,327	53,047	80,374	2.00	0	27,423	53,234	80,657
DP 99 - SEARCHS Level of Effort Increase										
05	0.00	0	209,104	405,908	615,012	0.00	0	0	0	0
DP 100 - Financial Institutions Data Match										
05	0.00	0	51,000	99,000	150,000	0.00	0	51,000	99,000	150,000
DP 501 - Cost Study of Raising a Child in Montana										
05	0.00	0	8,621	113,793	122,414	0.00	0	0	0	0
DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH										
05	(26.00)	0	(357,446)	(707,366)	(1,064,812)	(26.00)	0	(357,446)	(707,366)	(1,064,812)
DP 615 - Partially Reinststate CSED Reduction										
05	8.00	100,000	0	194,117	294,117	8.00	100,000	0	194,117	294,117
DP 622 - Partially Reinststate CSED Reduction - DPHHS Plan										
05	10.00	125,000	0	242,647	367,647	10.00	125,000	0	242,647	367,647
DP 630 - Reinststate FTE Reduction										
05	8.00	0	132,000	256,235	388,235	8.00	0	132,000	256,235	388,235
DP 689 - FTE Reduction										
05	(8.00)	0	0	0	0	(8.00)	0	0	0	0
Total	(6.00)	\$225,000	\$70,606	\$657,381	\$952,987	(6.00)	\$225,000	(\$147,023)	\$137,867	\$215,844

New Proposals

DP 10 - Funding of 2 FTE - The legislature approved \$161,031 state special revenue and federal funding for 2.0 FTE at grade 14, including 1.0 FTE paralegal and 1.0 FTE obligor liaison. The paralegal would complete legal research and assist the CSED central office attorney. The obligor liaison would be responsible for promoting good relationships with obligors by doing outreach and by assisting obligors in understanding their roles and responsibilities in terms of the process of collecting child support.

DP 99 - SEARCHS Level of Effort Increase - The legislature approved \$209,104 state special revenue and \$405,908 federal funds to increase the level of effort on the SEARCHS system facility maintenance contract by 20 percent.

DP 100 - Financial Institutions Data Match - The legislature approved \$300,000 state special revenue and federal funds for the biennium for costs of completion of financial institution data matches. The Personal Responsibility and Work Opportunities Reconciliation Act requires that states enter into agreements with financial institutions conducting business within their state for the purpose of completing data matches in order to locate accounts belonging to parents delinquent in child support. Data matches with financial institutions must be completed each calendar quarter. Once an account has been identified by the data match, the account may be frozen and seized to satisfy the parent's child support obligation. The financial institution data match is also a requirement for federal certification of SEARCHS.

DP 501 - Cost Study of Raising a Child in Montana - The legislature approved state special revenue and federal funding of \$122,414 in the first year of the biennium for completion and administration of a study of the cost of raising a child in the State of Montana. The results of this study will be utilized in the periodic review of the Uniform Child Support Guidelines prescribed by 40-5-209, MCA.

DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH - The legislature approved the portion of the Child Support Enforcement plan (15 percent reduction), required by HB 64 of the 1999 session, regarding closure of a regional CSED office including a reduction of 26.0 FTE. The legislature approved usage of the state special revenue available

due to this reduction, rather than general fund, to fund SEARCHS system costs in the Operations and Technology Division. Other legislative action restored all 26.0 FTE (see new proposal 615, 622, and 630).

DP 615 - Partially Reinstate CSED Reduction - The legislature provided \$100,000 general fund per year and federal matching funds to reinstate 8.0 of a 26.0 reduction in FTE that was approved by the legislature.

DP 622 - Partially Reinstate CSED Reduction - DPHHS Plan - The legislature approved a plan submitted by the department that provides \$250,000 general fund from other divisions in the department to the Child Support Enforcement Division to reinstate 10.0 of a 26.0 reduction in FTE in that was approved by the legislature.

DP 630 - Reinstate FTE Reduction - The legislature provided \$132,000 state special revenue and \$256,235 federal fund per year to reinstate 8.0 of the 26.0 FTE reduction made as included in the division's HB 64, 15 percent reduction plan.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

Funds included in item [Financial Institutions Data Match] may be used only to support costs for the completion of a financial institution data match.

Funds included in item [Cost Study - Raising a Child in Montana] may be used only to support the costs incurred to complete a study of the costs of raising a child in Montana.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	146.52	7.00	0.50	154.02	7.00	0.50	154.02	154.02
Personal Services	6,226,859	198,990	115,592	6,541,441	239,763	115,992	6,582,614	13,124,055
Operating Expenses	15,603,433	1,850,656	(1,296,137)	16,157,952	1,547,739	(288,780)	16,862,392	33,020,344
Equipment	336,877	24,000	90,709	451,586	0	90,709	427,586	879,172
Capital Outlay	0	0	0	0	0	0	0	0
Grants	6,527,225	50,000	746,420	7,323,645	50,000	462,410	7,039,635	14,363,280
Benefits & Claims	209,802,306	58,591,649	6,661,857	275,055,812	76,287,480	9,164,413	295,254,199	570,310,011
Debt Service	2,576	0	0	2,576	0	0	2,576	5,152
Total Costs	\$238,499,276	\$60,715,295	\$6,318,441	\$305,533,012	\$78,124,982	\$9,544,744	\$326,169,002	\$631,702,014
General Fund	48,619,148	11,294,715	4,324,902	64,238,765	15,156,841	4,766,885	68,542,874	132,781,639
State/Other Special	11,561,315	1,589,965	(5,962,537)	7,188,743	2,242,300	(6,022,730)	7,780,885	14,969,628
Federal Special	178,318,813	47,830,615	7,956,076	234,105,504	60,725,841	10,800,589	249,845,243	483,950,747
Total Funds	\$238,499,276	\$60,715,295	\$6,318,441	\$305,533,012	\$78,124,982	\$9,544,744	\$326,169,002	\$631,702,014

Program Description

The Health Policy and Services Division is responsible for the planning and implementation of statewide health policy. The purpose of the division is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive, primary, acute care, and public health services to individuals and communities through contracts with a broad range of private and public providers, including physicians, public health departments, clinics, and hospitals. The division administers public health programs including, but not limited to, Women's, Infants, and Children's Special Nutrition Program (WIC), Maternal and Child Public Health Services, Immunization Programs, STD/HIV prevention, Emergency Medical Services, Family Planning, Abstinence Education, acute and primary care components of the Medicaid Program, and the Children's Health Insurance Program (CHIP). Public health is administered at both the state level and at the local level through contract arrangements with local public health and other health service agencies. The division contracts with over 500 non-profit providers for the delivery of health care services. The Medicaid Program is a voluntary state/federal partnership to provide and finance these services for low-income persons who are aged, blind, or disabled, or in families with dependent children. To be eligible for Medicaid, an individual must meet income and resource guidelines and be included in a family with dependent children or be determined by SSI to be elderly or disabled. The division administers the CHIP Program through a contract with an insurance plan. The division also manages the functions of the tumor registry and the environmental laboratory.

Biennial Budget Comparison

The Program Legislative Budget, Present Law Adjustment, and New Proposal tables all measure the change in the 2003 biennium appropriation compared to base budget expenditures in fiscal 2000. However, a significant proportion of the present law adjustments in this program are related to incremental changes between fiscal 2000 actual costs and the fiscal 2001 appropriation increases for provider rates and growth in Medicaid caseloads. The changes between fiscal 2000 and fiscal 2001 program costs are a component of some of the present law adjustments approved by the legislature.

Table 21 compares the 2003 biennium appropriation to the actual expenditures and appropriation for the 2001 biennium. The 2003 biennium appropriation does not include the pay plan increase. The 2003 biennium appropriation is \$141 million higher than the 2001 biennium, excluding the supplemental appropriation for fiscal 2001 approved in HB 3. If the supplemental appropriation for fiscal 2001 is included, the biennial difference drops to \$125 million.

The rest of the tables in this narrative compare changes in the 2003 biennium appropriation to fiscal 2000 base budget expenditures. When the 2003 biennium appropriation is compared to base budget expenditures the biennial increase is \$155 million total funds, including \$35.5 million general fund. Calculating the 2003 biennium appropriation change compared only to base budget expenditures results in a change that is \$14 million higher than comparing biennial amounts and \$2.9 million general fund higher than comparing the biennial amounts.

Benefit cost increases account for nearly 99 percent of the increase between the 2003 and 2001 biennia. Medicaid caseload growth and pharmacy cost inflation, provider rate increases, and a new Medicaid intergovernmental transfer program for county operated critical access hospitals are the most significant cost drivers. Operating cost increases account for almost 2 percent of the total change, largely due to computer system upgrades and federal categorical grant increases. Reductions in grant costs offset some of the increases in other areas and are due to elimination of the tobacco prevention and control program and transfer of the remaining budget and FTE to the Director's Office.

General fund is 23 percent of the total increase, growing largely due to a funding shift from HB 124 that reallocated tax revenues and some responsibilities between the state and local governments. HB 124 eliminated the 9-mill property tax levy that 13 state-assumed counties had been required to levy and remit to the state for administration of public welfare and child welfare services. The legislature reduced state special revenue by \$16 million and increased general fund by a like amount due to passage of HB 124 and changes in the amount that 9-mills would generate.

Federal funds support the majority of the 2003 biennium increase, accounting for 81 percent of the total. Federal funds increase due to Medicaid cost increases, the increase in the federal match rate for Medicaid services, and federal grant increases.

Supplemental Offset in 2003 Biennium

DPHHS testified that it would undertake several changes in hospital reimbursement in order to mitigate the supplemental appropriation in the 2003 biennium. The changes include:

- ?? Reducing reimbursement to out-of-state hospitals to the in-state hospital rate
- ?? Altering diagnostic related group (DRG) rates to reflect changes in case mix and to account for the capital cost component on a retrospective basis
- ?? Raising the threshold at which a cost is considered an "outlier" and additional reimbursement beyond the DRG rate is paid

Program Narrative

The Health Policy and Services Division (HPSD) budget request is \$155 million higher over the 2003 biennium, when compared to base budget expenditures. As summarized in the Proposed Legislative Budget table, present law adjustments add \$139 million, including \$26.5 million general fund, and new proposals add \$16 million, including \$9

Budget Item/Fund	2001 Biennium	2003 Biennium	Change	Percent of Total
FTE**	146.47	154.02	7.55	
Personal Services	\$12,349,017	\$13,124,055	\$775,038	0.5%
Operating	30,734,301	33,020,344	2,286,043	1.6%
Equipment	580,114	879,172	299,058	0.2%
Grants	15,962,396	14,363,280	(1,599,116)	-1.1%
Benefits/Claims	431,063,952	570,310,011	139,246,059	98.7%
Debt Service	3,371	5,152	1,781	0.0%
Total Costs	<u>\$490,693,151</u>	<u>\$631,702,014</u>	<u>\$141,008,863</u>	100.0%
General Fund	100,090,852	132,781,639	32,690,787	23.2%
State Special	21,488,541	14,969,628	(6,518,913)	-4.6%
Federal Funds	369,113,758	483,950,747	114,836,989	81.4%
Total Funds	<u>\$490,693,151</u>	<u>\$631,702,014</u>	<u>\$141,008,863</u>	100.0%
Percent Increase			29%	
<u>Total With Supplemental***</u>				
HB 2 Total	\$490,693,151	\$631,702,014	\$141,008,863	
Supplemental General Fd	4,437,807	0	(4,437,807)	
Supplemental Fed. Fd.	11,965,517	0	(11,965,517)	
Total With Supplemental	<u>\$507,096,475</u>	<u>\$631,702,014</u>	<u>\$124,605,539</u>	
Percent Increase			25%	

*The pay plan appropriation for the 2003 biennium is not included.
 **2001 biennium FTE are the number funded for fiscal 2001.
 ***The 2001 biennium includes the supplemental request approved in HB 3.

million general fund.

Significant Budget Proposals

The biennial cost of the most significant changes approved by the legislature is:

- ?? \$66 million, including \$17 million general fund, for Medicaid caseload growth and cost increases
- ?? \$41 million total funds, including \$9 million state special revenue, in response to legislative audit findings that require budgeting of expenditures that were abated in the Medicaid and WIC program base budgets
- ?? \$21.5 million, including \$4 million general fund and 6.0 FTE, to fully fund CHIP which was phased in during the 2001 biennium
- ?? \$9 million, including \$1.6 million general fund and \$0.9 million interest from the newly created tobacco settlement constitutional trust fund, for Medicaid provider rate increases
- ?? \$5.9 million and funding for 5.5 FTE for 11 new or increased federal grants
- ?? \$5 million in federal Medicaid funds for outreach and matching funds for Medicaid eligible services provided by schools
- ?? \$0.9 million general fund for implementation of the trauma system, fiber optic equipment for rural hospitals, state matching funds for federal WIC vouchers for use at farmers' markets, continuation of the certificate of need program for major medical facilities, and assistance for Montanans exposed to asbestos
- ?? \$0.8 million for AIDS funding increases including \$84,010 general fund
- ?? \$0.3 million state special revenue, including 2.0 FTE for lab, emergency medical technician certification, and inspection services funded by fee revenues

The legislature also approved a significant funding switch that increased general fund by \$15.6 million to implement HB 124, a bill that reallocated certain taxes between state and local governments and transferred administration of public welfare and child welfare programs to the state. Previously, 13 counties had opted to transfer administration of these programs to the state and levied and remitted 9 mills of local property tax revenue to the state. The 9-mill levy state special revenue had been expended as state match for Medicaid services. The legislature replaced the 9-mill levy income with \$15.6 million general fund over the biennium.

Appropriation increases for this program were partially offset by reductions in the tobacco control and prevention program. The legislature approved the executive request to reduce expenditures by \$6 million general fund over the biennium and transfer 5.0 FTE and \$3 million, including \$1 million general fund, to the Director's Office.

Funding

Table 22 shows base budget expenditures and the 2003 biennium appropriation by fund. General fund supports about 21 percent of the division budget in the 2003 biennium. The biggest share of general fund provides matching funds for the Medicaid programs administered by the division - about \$121 million (or 91 percent) of the \$133 million general fund appropriation for the 2003 biennium. Matching costs for CHIP account for \$6 million general fund over the biennium. After deducting for Medicaid and CHIP state match, \$6 million or 4.5 percent of the division general fund budget supports other programs and functions.

State special revenue declines from about 5 percent of funding in the base budget to 2 percent in fiscal 2003, largely due to the impact of HB 124. The most significant source of state special revenue is Medicaid drug rebate collections. Rebate collections, as well as the tobacco interest income and funds from county intergovernmental transfer revenue, are used as state match for Medicaid funds.

Drug manufacturers that participate in the Medicaid program agree to rebate a percent of drug sales to Medicaid agencies. Previously, DPHHS used the rebate revenue to abate expenditures. Drug rebates were added to the budget in response to a legislative audit finding that the expenses were more appropriately budgeted and paid on the accounting system.

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$48,619,148	\$64,238,765	\$68,542,874	21.0%
Percent of Total	20.4%	21.0%	21.0%	
State Special Revenue				
Drug Rebate Collections	\$0	\$4,346,108	\$4,845,205	1.5%
Public Health Laboratory Fees	1,450,447	1,449,655	1,456,050	0.4%
Food/Lodging License	466,468	503,281	505,181	0.2%
Tobacco Interest Constitutional Trust	0	420,012	505,983	0.2%
Intergovernmental Transfer	0	267,525	266,144	0.1%
Baby Your Baby	68,974	68,974	68,974	0.0%
EMT Certification	21,784	58,134	58,134	0.0%
DHES Food and Consumer	57,365	54,804	54,795	0.0%
9 Mill State Assumed County Levy	9,340,584	0	0	0.0%
CHIP Program	136,151	0	0	0.0%
Indirect/Cost Allocation	19,542	20,250	20,419	0.0%
Subtotal State Special Revenue	<u>\$11,561,315</u>	<u>\$7,188,743</u>	<u>\$7,780,885</u>	2.4%
Percent of Total	4.8%	2.4%	2.4%	
Federal Funds				
Medicaid Benefits - Matching	\$127,966,628	\$167,028,922	\$182,016,481	55.8%
Medicaid Benefits - 100% Fed.	20,538,915	21,538,915	21,588,915	6.6%
Women, Infants & Children	12,553,993	16,478,640	17,559,373	5.4%
CHIP Grant	3,122,076	11,874,487	11,855,085	3.6%
Medicaid Administration	2,634,487	3,661,389	3,663,305	1.1%
Maternal & Child Health Block Grt	2,561,573	2,615,104	2,618,055	0.8%
Family Planning Title X	1,113,957	1,096,996	1,094,812	0.3%
Preventive Health Block Grant	1,043,457	1,091,547	1,097,122	0.3%
AIDS Federal Grant	1,009,360	1,143,560	1,145,368	0.4%
Breast/Cervical Cancer Prev.	1,011,767	1,037,277	1,038,421	0.3%
Vaccination Program	626,280	619,705	623,171	0.2%
Fetal Alcohol Syndrome	0	600,000	600,000	0.2%
Diabetes Control	384,480	693,254	575,720	0.2%
Bioterrorism	0	454,346	454,346	0.1%
Ryan White Act, Title II	447,057	718,033	718,029	0.2%
Data Integration	349,311	311,176	311,408	0.1%
Abstinence Education	277,203	275,999	275,994	0.1%
Cardiovascular Disease	0	260,902	237,768	0.1%
Primary Care Services	125,185	257,842	229,197	0.1%
Sexually Transmitted Disease	246,848	252,666	253,875	0.1%
Bunker Hill Project	0	200,000	200,000	0.1%
Montana Lead Poison - Prev.	163,759	163,604	163,603	0.1%
E. Coli Lab and Epidemiology	86,239	160,229	160,227	0.0%
Trauma System Development	151,636	150,154	150,143	0.0%
Fetal/Infant/Child Mortality Review	136,659	286,659	136,659	0.0%
Tuberculosis Grant	132,893	132,556	132,555	0.0%
EMS - Highway Traffic Safety	25,876	108,876	108,876	0.0%
Healthy Child	93,021	97,862	98,131	0.0%
Chronic Disease	80,229	92,984	93,292	0.0%
EMS Data Injury	93,750	92,268	92,257	0.0%
Search Grant	69,527	69,300	69,298	0.0%
Seroprevalence/Surveillance	55,964	55,521	55,520	0.0%
Food Inspection Program	12,560	30,976	32,669	0.0%
Birth Defects Surveillance	0	60,455	0	0.0%
Tobacco Control	818,179	0	0	0.0%
Indirect/Cost Allocation	385,944	393,300	395,568	0.1%
Subtotal Federal Funds	<u>\$178,318,813</u>	<u>\$234,105,504</u>	<u>\$249,845,243</u>	76.6%
Percent of Total	74.8%	76.6%	76.6%	
Total Funds	<u>\$238,499,276</u>	<u>\$305,533,012</u>	<u>\$326,169,002</u>	100.0%
Increase Above Base		28.1%	36.8%	
Annual Rate of Change from Base		13.2%	11.0%	

Federal funds support 77 percent of the budget, with Medicaid benefit and administrative matching funds providing \$399 million over the biennium or about 83 percent of total federal funding. The second most significant source is the grant for the WIC program with \$34 million, followed by federal CHIP grant funds at \$24 million. The division also receives two federal block grants - The Maternal Child Health Block Grant (MCH) and Preventive Health Block Grant (PH) - that provide \$7.4 million over the biennium.

The remaining federal funding sources are categorical federal grants for specific purposes.

Allocation of MCH and PH Block Grants

Table 23 shows the allocation of the MCH and PH block grants by function for fiscal 2000 compared to the 2003 biennium appropriation. The legislature accepted the executive proposals regarding these grants.

The MCH grant is \$2.7 million annually. Federal regulations specify that: 1) not more than 10 percent of the MCH grant may be used for administering the program; 2) at least 30 percent of the MCH grant must be used for preventive and primary services for children; and 3) at least 30 percent must be used for children with special needs. The state must conduct a comprehensive statewide assessment of MCH needs every 5 years. The MCH grant requires that MCH funds be matched with \$3 state or local funds for every \$4 block grant funds. Entities that receive allocations from the MCH grant provide the required match. The state must maintain the level of state funding provided for MCH programs in fiscal 1989 - \$485,480.

Montana receives about \$1.2 million annually for the PH grant. No more than 10 percent of the block grant can be spent for administration that is cost allocated (estimated at 5.4 percent in the 2003 biennium). Some of the funds must be used for sexual assault and rape prevention programs. Funds can be used to provide seed money for priority health programs that can be funded from other sources later, and state-identified health problems and public health infrastructure for which there is no other funding source. An advisory committee makes recommendations on the allocation of the PH grant using criteria to rank the size and seriousness of a health problem, the effectiveness of intervention, and the availability of funding from other sources.

Block Grant/Allocation	Actual Fiscal 2000	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
<u>Maternal and Child Health Block Grant</u>				
Cost Allocated Administration*	\$107,874	\$102,169	\$102,150	3.7%
Family/Community Health Bur.**	1,375,852	1,415,164	1,415,453	51.9%
Children's Special Health Serv.	842,307	858,626	860,271	31.6%
MIAMI/Perinatal**	268,518	272,123	273,159	10.0%
Family Planning	74,896	74,896	74,896	2.7%
Total Maternal & Child Block Grant	<u>\$2,669,447</u>	<u>\$2,722,978</u>	<u>\$2,725,929</u>	<u>100.0%</u>
Expected Maternal Child Health Grant Amount		<u>\$2,567,703</u>	<u>\$2,567,703</u>	
Appropriation Over (Under) Grant Amount		<u>\$155,275</u>	<u>\$158,226</u>	
<u>Preventive Health Block Grant</u>				
Cost Allocated Administration*	\$62,648	\$60,568	\$60,561	5.2%
Health Systems Bureau	316,405	332,076	334,033	28.8%
Emergency Medical Servs.	204,368	222,847	226,116	19.5%
Sexual Assault/Rape Prevent.	190,984	194,579	194,635	16.8%
Family Planning	171,000	171,000	171,000	14.7%
Chronic Disease	76,882	89,307	89,607	7.7%
Tuberculosis	31,767	31,767	31,767	2.7%
Public Health Lab	29,500	29,500	29,500	2.5%
Immunization	24,505	24,505	24,505	2.1%
Health Planning	0	(410)	(412)	0.0%
Adjustments	(1,954)	(1,954)	(1,954)	-0.2%
Total Preventive Health Block Grant	<u>\$1,106,105</u>	<u>\$1,153,785</u>	<u>\$1,159,358</u>	<u>100.0%</u>
Expected Preventive Health Grant Amount		<u>\$1,040,245</u>	<u>\$1,040,245</u>	
Appropriation Over (Under) Grant Amount		<u>\$113,540</u>	<u>\$119,113</u>	
*Administrative costs include administrative functions throughout the department that are cost allocated. DPHHS staff indicate that divisions supported by costs from these block grants include: Health Policy and Services; Operations and Technology; Directors Office; and Quality Assurance.				
**These costs represent contracts with counties for services.				

The amounts shown as appropriated for cost allocated administration for both grants are based on allocations in the base budget plus some adjustments for vacancy savings and data network fees by the legislature. The total block grant appropriations exceed the amounts listed in Table 22 because the cost allocated administrative costs are included.

The appropriations from the block grants exceed the expected grant amounts in each year of the 2003 biennium. The department will either need to reduce program expenditures funded from the block grants or use other funding sources such as general fund to cover expenditures that exceed block grant appropriations.

Appropriation by Major Function and Service

Table 24 shows the division budget request by major functional area.

Division administration increases about \$239,000 over the biennium, largely due to a new federal grant to provide health screenings for exposure to lead.

Medicaid provides health services to low-income persons who are blind, aged, disabled, or in families with dependent children. Medicaid services account for 85 percent of the total fiscal 2003 appropriation and increases \$127 million, including \$38 million general fund, over the biennium. Budget increases are largely due to growth in the number of persons eligible for services, inflation increases in the cost of drugs, provider rate increases, an intergovernmental transfer program for county hospitals, an eligibility outreach program, and an accounting change.

The Health Systems Bureau includes staff and resources that administer public health programs such as emergency medical services, emergency medical technician testing, licensing, and re-certification, tobacco control, and diabetes control. The 2003 biennium appropriation declines by more than \$6 million general fund from the fiscal 2000 base, due to a reduction in the tobacco control and prevention program and transfer of the remaining funding and FTE to the Director's Office. The reduction is partially offset by increases in: 1) general fund to support implementation of the trauma system; 2) federal grants for cardiovascular disease, diabetes control, and primary care services; and 3) state special revenue for additional licensure and certification activities for emergency medical technicians.

The Family and Community Health Bureau administers public health programs for children and families including the WIC program, Family Planning, the Montana Initiative for the Abatement of Mortality in Infants (MIAMI), perinatal programs, Children's Special Health Services, and county grants from the MCH grant. The biennial appropriation is almost \$11 million greater than the base almost entirely due to increases in federal funds. Changes for the WIC program to comply with a legislative audit finding and a computer system enhancement add \$8 million federal funds over the biennium. Federal grants for fetal alcohol syndrome education and prevention and infant mortality review add another \$1.6 million.

The Communicable Disease Prevention Bureau oversees the Public Health Laboratory, the AIDS and sexually transmitted disease prevention programs, sexual assault programs, and communicable disease and tuberculosis prevention programs. The appropriation increases about \$2 million over the biennium due to federal grants for bioterrorism preparedness, AIDS treatment and prevention, and laboratory improvements. State special revenue increases for laboratory staff and revenue transfers to counties to perform inspections are the other significant changes. The legislature added about \$80,000 general fund to the AIDS program for treatment.

CHIP provides funds for an insurance program for children in families with incomes less than 150 percent of the federal poverty level (\$26,475 for a family of 4 in 2001). The CHIP program, although accounting for only 4.5 percent of the total division budget request in fiscal 2003, shows the second largest change, adding \$21 million, including \$4 million general fund, over the biennium. CHIP is funded from an annual federal grant allocation of about \$13 million, which requires a state match of about 19 percent.

Table 24 also shows the individual grants and benefits base budget expenditures compared to the 2003 biennium budget and compared to the total division expenditures and 2003 biennium appropriation. Grants account for about 2 percent of the fiscal 2003 division appropriation, while benefits comprise 90 percent of the total. Together, grants and benefits account for 94 percent of the general fund appropriation for the division in fiscal 2003.

Table 24
Fiscal 2000 Base Budget Compared to 2003 Biennium Legislative Appropriation
Health Policy and Services Division

Major Function	Fiscal 200 Actuals				Fiscal 2002 Legislative Appropriation				Fiscal 2003 Legislative Appropriation				Percent
Grants and Benefits	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	of Total
<u>Major Function</u>													
Division Administration	\$231,337	\$19,542	\$735,255	\$986,134	\$220,795	\$1,772	\$880,492	\$1,103,059	\$223,286	\$1,876	\$882,903	\$1,108,065	0.3%
Medicaid Services	41,773,578	9,409,558	151,140,030	202,323,166	58,289,276	5,102,619	192,233,488	255,625,383	62,826,244	5,686,306	207,272,978	275,785,528	84.6%
Health Systems	4,002,134	21,784	3,451,305	7,475,223	882,557	58,028	3,507,324	4,447,909	686,606	58,028	3,345,242	4,089,876	1.3%
Family & Community Health	1,287,751	0	16,976,190	18,263,941	1,334,443	0	21,758,699	23,093,142	1,355,188		22,629,779	23,984,967	7.4%
Communicable Disease Prev.	655,785	1,974,280	2,893,957	5,524,022	710,648	2,026,324	3,853,701	6,590,673	629,375	2,034,675	3,861,945	6,525,995	2.0%
CHIP	<u>668,563</u>	<u>136,151</u>	<u>3,122,076</u>	<u>3,926,790</u>	<u>2,801,046</u>	<u>0</u>	<u>11,871,800</u>	<u>14,672,846</u>	<u>2,822,175</u>	<u>0</u>	<u>11,852,396</u>	<u>14,674,571</u>	<u>4.5%</u>
Total Division Budget	<u>\$48,619,148</u>	<u>\$11,561,315</u>	<u>\$178,318,813</u>	<u>\$238,499,276</u>	<u>\$64,238,765</u>	<u>\$7,188,743</u>	<u>\$234,105,504</u>	<u>\$305,533,012</u>	<u>\$68,542,874</u>	<u>\$7,780,885</u>	<u>\$249,845,243</u>	<u>\$326,169,002</u>	<u>100.0%</u>
Percent of Total	20.4%	4.8%	74.8%	100.0%	21.0%	2.4%	76.6%	100.0%	21.0%	2.4%	76.6%	100.0%	
<u>Grants</u>													
Women, Infants and Children	\$0	\$0	\$3,188,175	\$3,188,175	\$0	\$0	\$3,188,175	\$3,188,175	\$0	\$0	\$3,188,175	\$3,188,175	45.3%
Family Planning	0	0	1,076,903	1,076,903	0	0	1,076,903	1,076,903	0	0	1,076,903	1,076,903	15.3%
Maternal/Child Health Grnt	0	0	1,135,765	1,135,765	0	0	1,135,765	1,135,765	0	0	1,135,765	1,135,765	16.1%
Food/Consumer Safety	0	463,007	0	463,007	0	513,007	0	513,007	0	513,007	0	513,007	7.3%
MIAMI	471,942	0	0	471,942	443,625	0	28,317	471,942	443,625	0	28,317	471,942	6.7%
AIDS Prevention/Treatment	0	0	0	0	84,010	0	272,333	356,343	0	0	272,333	272,333	3.9%
Fiber Optic Rural Telehealth	0	0	0	0	200,000	0	0	200,000	0	0	0	0	0.0%
Bunker Hill	0	0	0	0	0	0	171,577	171,577	0	0	171,577	171,577	2.4%
Baby Your Baby	0	68,974	68,974	137,948	0	68,974	68,974	137,948	0	68,974	68,974	137,948	2.0%
Healthy Child Grant	0	0	53,485	53,485	0	0	53,485	53,485	0	0	53,485	53,485	0.8%
Assistance for Asbestos	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,500</u>	<u>0</u>	<u>0</u>	<u>18,500</u>	<u>18,500</u>	<u>0</u>	<u>0</u>	<u>18,500</u>	<u>0.3%</u>
Total Grants	<u>\$471,942</u>	<u>\$531,981</u>	<u>\$5,523,302</u>	<u>\$6,527,225</u>	<u>\$746,135</u>	<u>\$581,981</u>	<u>\$5,995,529</u>	<u>\$7,323,645</u>	<u>\$462,125</u>	<u>\$581,981</u>	<u>\$5,995,529</u>	<u>\$7,039,635</u>	<u>100.0%</u>
Percent of Total Grants	7.2%	8.2%	84.6%	100.0%	10.2%	7.9%	81.9%	100.0%	6.6%	8.3%	85.2%	100.0%	
Percent of Total Division	1.0%	4.6%	3.1%	2.7%	1.2%	8.1%	2.6%	2.4%	0.7%	7.5%	2.4%	2.2%	
<u>Benefits</u>													
Medicaid Services													
Primary Care Non-Hospital	\$20,950,259	\$9,340,584	\$77,459,416	\$107,750,258	\$30,681,456	\$4,568,312	\$92,285,614	\$127,535,381	\$31,245,720	\$4,845,205	\$94,684,042	\$130,774,966	44.3%
Primary Care Hospital	16,901,535	0	43,876,957	60,778,492	23,556,187	465,333	67,660,728	91,682,248	27,473,738	772,127	80,063,366	108,309,231	36.7%
Medicare Buy-In	2,408,814	0	6,214,237	8,623,051	2,485,019	0	6,678,032	9,163,051	2,536,943	0	6,866,108	9,403,051	3.2%
Indian Health Services	0	0	20,538,915	20,538,915	0	0	21,538,915	21,538,915	0	0	21,588,915	21,588,915	7.3%
CHIP*	595,611	121,295	2,781,402	3,498,308	2,494,447	0	10,572,329	13,066,776	2,512,838	0	10,553,264	13,066,102	4.4%
Women, Infants and Children	0	0	8,507,783	8,507,783	40,000	0	11,877,823	11,917,823	60,000	0	11,913,783	11,973,783	4.1%
Health Svcs - Low-Income Children	98,536	0	0	98,536	98,536	0	0	98,536	98,536	0	0	98,536	0.0%
Cardio Vascular Benefits	0	0	0	0	0	0	31,609	31,609	0	0	32,652	32,652	0.0%
Children's Special Health Svcs	0	0	0	0	0	0	14,510	14,510	0	0	0	0	0.0%
Tuberculosis Prevention	0	0	5,979	5,979	0	0	5,979	5,979	0	0	5,979	5,979	0.0%
Adjustments*	<u>0</u>	<u>0</u>	<u>984</u>	<u>984</u>	<u>0</u>	<u>0</u>	<u>984</u>	<u>984</u>	<u>0</u>	<u>0</u>	<u>984</u>	<u>984</u>	<u>0.0%</u>
Total Benefits	<u>\$40,954,754</u>	<u>\$9,461,879</u>	<u>\$159,385,673</u>	<u>\$209,802,306</u>	<u>\$59,355,645</u>	<u>\$5,033,645</u>	<u>\$210,666,522</u>	<u>\$275,055,812</u>	<u>\$63,927,775</u>	<u>\$5,617,332</u>	<u>\$225,709,092</u>	<u>\$295,254,199</u>	<u>100.0%</u>
Percent of Total Benefits	19.5%	4.5%	76.0%	100.0%	21.6%	1.8%	76.6%	100.0%	21.7%	1.9%	76.4%	100.0%	0.0%
Percent of Total Division	84.2%	81.8%	89.4%	88.0%	92.4%	70.0%	90.0%	90.0%	93.3%	72.2%	90.3%	90.5%	0.0%

*Adjustments included six small amounts, each under \$600, recorded in the base budgets for various functions unrelated to major categories listed in the table.

Grants

The fiscal 2002 appropriation for grants is about \$0.8 million higher than fiscal 2000 expenditures and the fiscal 2003 appropriation is about \$0.5 million higher. The legislature appropriated about \$0.3 million general fund in fiscal 2002 for fiber optic telehealth equipment for rural hospitals (one-time), AIDS treatment, and assistance for Montanans exposed to asbestos. The remainder of the increase in fiscal 2002 and most of fiscal 2003 increases are largely due to federal grants for assistance to Montanans exposed to lead emissions from the Bunker Hill Smelter and AIDS prevention and treatment. Passthrough funds to counties for inspection of public establishments increase \$50,000 annually from the base budget.

Nutrition services and counseling to low-income mothers account for the largest grant in the division (\$3.2 million WIC funds). Family planning grants to local governments are about 15 percent of the total grant budget as are grants for primary and preventive health services for children funded from the Maternal Child Health Block Grant. MIAMI grants to local entities fund services to prevent low birth-weight babies and improve pregnancy outcomes, and are the only grants funded from general fund. Baby Your Baby grants fund services to educate persons about infant and children's health issues. The Healthy Child Grant funds public health nursing services to Head Start and day care programs for education to families and staff, such as first aide and sanitation training.

Benefits

The benefits appropriation is the most significant for the division, accounting for 90 percent of the total 2003 biennium appropriation. Medicaid funded services are the largest component of benefit appropriations.

The largest Medicaid benefit administered by this division - primary care non-hospital services - accounts for 44 percent of the total benefits appropriation. Non-hospital services include services such as physicians, dental, and prescription drugs. Increases in non-hospital services costs are due to inflation in drug costs and utilization, increasing number of persons eligible, and provider rate increases. The 2003 biennium appropriation is about \$43 million higher than the fiscal 2000 base budget, while the general fund share increase is about \$20 million, almost half the increase. The general fund increase is high relative to the total funds increase due to the elimination of 9-mill levy state special revenue and offsetting general fund increase of \$15.5 million. Appropriating drug rebate expenditures and revenues added \$9 million in state special revenue over the 2003 biennium, partially offsetting the 9-mill levy state special revenue reduction.

The appropriation for Medicaid hospital services is 37 percent of the total benefits appropriation. It rises by \$78 million total funds over the biennium and \$17 million general fund compared to base budget expenditures. Increases are due to increasing number of persons eligible, provider rate increases, and an intergovernmental transfer program for county operated critical access hospitals. The primary care hospital budget is overstated because caseload increases for non-hospital services are included in the hospital appropriation.

Another reason that hospital and non-hospital Medicaid costs are increasing is due to rising numbers of persons who are eligible for Medicaid. Department staff testified that recent court decisions have impacted eligibility determination for the disabled category of Medicaid eligibility, resulting in an increased number of persons being determined to be eligible. Typically, disabled persons use more medical services and in some instances more expensive services than persons in other Medicaid eligibility types.

The legislature did not add language in HB 2 indicating how much of the Medicaid appropriation was for hospitals as it has in past biennia. Instead, the appropriation subcommittee directed that the Medicaid hospital services appropriation amount should be clearly stated in the narrative explaining HB 2.

The Medicare buy-in pays for Medicare Part B premiums for Medicaid-eligible persons who are 65 years of age or older. Medicare (federal funds) then pays for 80 percent of their medical expenses, leaving a liability of only 20 percent for Medicaid, which is partially funded with general fund. The 2003 biennial appropriation increase is driven largely by the cost of Medicaid premium increases that are established by federal regulations.

Indian health benefits, funded entirely from federal funds, reimburse the Indian Health Service for medical services provided to Medicaid-eligible persons on the Flathead, Blackfeet, Rocky Boy, Fort Belknap, Crow, Northern Cheyenne, and Fort Peck Indian reservations. The increase in this benefit is attributable to projected cost increases.

CHIP provides health care services for children in families with incomes up to 150 percent of the poverty level (\$26,475 for a family of 4 in 2001). CHIP does not pay for health services for adults. DPHHS contracts with insurance companies for coverage that is similar to benefits provided by the state employee health plan. Unlike Medicaid, CHIP is not an entitlement program and services are limited to the available appropriation. Initially, DPHHS estimated that the 2001 biennium appropriation was adequate to fund services for 10,184 children. However, due to premium increases related to a variety of factors, the number of children that could be covered declined to 9,251. The CHIP appropriation continues the current level program, increasing \$21.5 million total funds and \$4 general fund over the biennium. The increase represents the cost to annualize program start up, which occurred gradually throughout the 2001 biennium.

WIC benefits reflect the amount of food vouchers received by low-income women and children. WIC benefits are about 4 percent of the fiscal 2003 budget request. The WIC benefits appropriation increases nearly \$7 million, due to a \$6.6 million increase to comply with a legislative audit finding to budget expenditures instead of rebate expenses and to \$0.3 million total funds, including \$0.1 million general fund, to provide WIC vouchers for use at farmers' markets.

Health services for low-income children provides up to \$100,000 general fund annually for health care services for children in families with incomes up to 185 percent of the federal poverty level. This appropriation supports the cost of health care services for children in families with incomes in excess of CHIP eligibility limits. In past biennia, language in HB 2 directed DPHHS to contract with public or private entities for the administration and provision of primary and preventive health care benefits to children who are uninsured and not eligible for Medicaid benefits. The appropriation for health care services for low-income children was directed to be allocated only to programs with an established statewide network of medical providers who have agreed to accept reimbursement at a rate lower than would normally be charged for their services. Previously, HB2 language also specified that the appropriation could not be used to pay the state share of CHIP costs. The 2001 legislature did not continue such language in HB 2 for the 2003 biennium.

A new federal grant for cardiovascular disease adds about \$32,000 in federal funds annually and a small amount is spent on benefits from the tuberculosis grant. Children's health services identifies children from birth to age 18 with special health needs and provides for medical evaluation, treatment, and management of certain specified handicapping conditions. Expenditures are funded from federal grant funds.

Transfer of Tobacco Control and Prevention Program

The legislature approved the executive request to reduce tobacco control and prevention programs by \$6 million general fund over the biennium and accepted the increase in federal tobacco control and prevention grants funds of \$0.3 million. The 1999 legislature had appropriated \$7 million in tobacco settlement funds deposited to the general fund for the program. After the 2001 legislative action, the tobacco control and prevention program appropriation was \$3 million over the biennium. The legislature transferred the remaining appropriation authority and FTE to the Director's Office and added language to HB 2 requesting that the Interagency Coordinating Council on Prevention, which is administratively attached to the Director's Office, administer the program.

Table 25 shows the base level funding, 2003 biennium appropriation adjustments, and FTE for the tobacco control and prevention program and the transfer to the Director's

Program/Appropriation	Fiscal 2000 Changes from Base Budget	Fiscal 2002 Adjusted Base	Fiscal 2003 Legislative Appropriation
<u>Base Budget Health Policy and Services Division</u>			
FTE		6.37	1.37
General Fund		\$3,509,161	\$0
Federal Funds		821,020	0
Total Funds		<u>\$4,330,181</u>	<u>\$0</u>
<u>Changes Enacted for 2003 Biennium</u>			
General Fund Reductions			(\$3,006,996)
Net Increase in Federal Grant			159,106
			<u>(\$2,847,890)</u>
<u>Net Transfer to Director's Office</u>			
FTE	0.00	5.00	5.00
General Fund	\$0	\$502,165	\$502,155
Federal Funds	0	980,126	980,593
Total Funds	<u>\$0</u>	<u>\$1,482,291</u>	<u>\$1,482,748</u>

Office. Each individual change to the tobacco control and prevention program is discussed in the Health Policy and Services Division.

The following two tables show all present law adjustments and new proposals approved by the legislature for this division. Each adjustment is discussed in more detail in the following sub-program narratives: Division Administration; Medicaid Services; Health Systems; Family and Community Health; Communicable Disease Prevention; and CHIP.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				214,149					255,743
Vacancy Savings				(177,514)					(178,764)
Inflation/Deflation				5,234					15,294
Fixed Costs				73,013					80,198
Total Statewide Present Law Adjustments				\$114,882					\$172,471
DP 15 - Indian Health Services Caseload Adjustment									
0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,050,000	1,050,000
DP 16 - Tobacco Prevention Grant Increase									
1.00	0	0	159,586	159,586	1.00	0	0	159,754	159,754
DP 17 - Epidemiology and Lab Capacity Grant									
0.00	0	0	74,438	74,438	0.00	0	0	74,438	74,438
DP 18 - EMT Certification									
0.00	0	36,350	0	36,350	0.00	0	36,350	0	36,350
DP 19 - Local Board Inspection Fund									
0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 20 - Montana Birth Outcomes Monitoring									
0.00	0	0	60,455	60,455	0.00	0	0	0	0
DP 21 - Fetal Infant Child Mortality Review									
0.00	0	0	150,000	150,000	0.00	0	0	0	0
DP 42 - Medicare Buy-In Caseload Adjustment									
0.00	146,448	0	393,552	540,000	0.00	210,444	0	569,556	780,000
DP 43 - Medicaid Caseload Adjustment									
0.00	6,589,162	0	22,362,099	28,951,261	0.00	10,508,683	0	33,930,557	44,439,240
DP 44 - CHIP Annualization									
6.00	1,899,906	0	8,052,458	9,952,364	6.00	1,914,835	0	8,037,529	9,952,364
DP 89 - Medicaid Drug Rebates/TPL Collections as Revenue									
0.00	0	4,346,108	11,679,364	16,025,472	0.00	0	4,845,205	13,113,303	17,958,508
DP 106 - WIC Infant Formula Rebates									
0.00	0	0	3,300,000	3,300,000	0.00	0	0	3,300,000	3,300,000
DP 401 - Federal Grant Increase - Diabetes									
0.00	0	0	310,455	310,455	0.00	0	0	191,455	191,455
DP 403 - 9-Mill Levy Income from State Assumed Counties									
0.00	981,000	(981,000)	0	0	0.00	990,000	(990,000)	0	0
DP 404 - Primary Care Federal Grant Increase									
0.00	0	0	135,442	135,442	0.00	0	0	106,442	106,442
DP 696 - Data Network Fixed Cost Reduction									
0.00	(28)	0	(102)	(130)	0.00	(28)	0	(102)	(130)
DP 698 - Rent Reduction - Use of Capitol Land Grant									
0.00	(11,891)	(18,599)	(32,752)	(63,242)	0.00	(11,932)	(18,664)	(32,863)	(63,459)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(19,067)	(11,375)	(51,596)	(82,038)	0.00	(19,173)	(11,434)	(51,844)	(82,451)
Total Other Present Law Adjustments									
7.00	\$9,585,530	\$3,421,484	\$47,593,399	\$60,600,413	7.00	\$13,592,829	\$3,911,457	\$60,448,225	\$77,952,511
Grand Total All Present Law Adjustments				\$60,715,295					\$78,124,982

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies.

PUBLIC HEALTH & HUMAN SERVICES

07-HEALTH POLICY & SERVICES DIVISION

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 87 - Compliance Investigation										
07	0.00	0	0	21,031	21,031	0.00	0	0	22,733	22,733
DP 90 - Claims Adjudication Specialists										
07	2.00	(11,413)	0	(96,158)	(107,571)	2.00	(37,784)	0	(173,583)	(211,367)
DP 102 - Highway Traffic Safety Grant										
07	0.00	0	0	83,000	83,000	0.00	0	0	83,000	83,000
DP 103 - Fetal Alcohol Syndrome										
07	0.00	0	0	600,000	600,000	0.00	0	0	600,000	600,000
DP 104 - Health Educator - Women's Health										
07	1.00	0	0	54,551	54,551	1.00	0	0	50,719	50,719
DP 107 - MCH Data Analyst Position										
07	1.00	0	0	38,758	38,758	1.00	0	0	36,872	36,872
DP 108 - Bunker Hill Federal Grant										
07	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 109 - Upgrade/Replace WIC Eligibility and Benefit System										
07	0.00	0	0	500,000	500,000	0.00	0	0	1,530,000	1,530,000
DP 110 - Public Health Laboratory										
07	2.00	0	66,926	0	66,926	2.00	0	67,143	0	67,143
DP 111 - Bioterrorism Preparedness										
07	1.00	0	0	454,346	454,346	1.00	0	0	454,346	454,346
DP 124 - Ambulance Provider Rate Increase										
07	0.00	90,267	0	242,575	332,842	0.00	92,667	0	250,799	343,466
DP 125 - Dental Provider Rate Increase										
07	0.00	47,822	222,204	725,645	995,671	0.00	355,529	0	989,219	1,344,748
DP 126 - Provider Rate Increase - RBRVS/PASS										
07	0.00	252,524	0	678,614	931,138	0.00	506,681	0	1,371,305	1,877,986
DP 127 - Hospital Provider Rate Increase										
07	0.00	113,000	197,808	835,238	1,146,046	0.00	137,504	505,983	1,741,563	2,385,050
DP 200 - Certificate of Need Operations										
07	0.00	23,000	0	0	23,000	0.00	23,000	0	0	23,000
DP 400 - Farmer's Market Vouchers - WIC										
07	0.00	40,000	0	92,640	132,640	0.00	60,000	0	140,000	200,000
DP 405 - Assistance for Montanans Exposed to Asbestos										
07	0.00	18,500	0	0	18,500	0.00	18,500	0	0	18,500
DP 409 - AIDS Treatment/Prevention										
07	0.00	0	0	372,333	372,333	0.00	0	0	372,333	372,333
DP 410 - HIV/AIDS Treatment and Coverage										
07	0.00	84,010	0	0	84,010	0.00	0	0	0	0
DP 416 - Fiber Optic Rural TeleHealth (Biennial/OTO)										
07	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 419 - Federal Medicaid Funds for School Services										
07	0.00	0	0	1,500,000	1,500,000	0.00	0	0	1,500,000	1,500,000
DP 421 - Transfer Tobacco Control and Prevention Programs										
07	(5.00)	(502,165)	0	(980,126)	(1,482,291)	(5.00)	(502,155)	0	(980,593)	(1,482,748)
DP 425 - HB 124 - Revise Local Government Funding										
07	0.00	6,717,000	(6,717,000)	0	0	0.00	6,862,000	(6,862,000)	0	0
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
07	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
DP 689 - FTE Reduction										
07	(3.00)	(14,959)	0	0	(14,959)	(3.00)	(15,081)	0	0	(15,081)
DP 700 - Federal Funds for Medicaid Outreach										
07	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 702 - Cardiovascular Health Program-CDC Grant										
07	1.50	0	0	260,902	260,902	1.50	0	0	237,768	237,768
DP 703 - Trauma System Implementation										
07	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 881 - Reduce Tobacco Control Prevention Program										
07	0.00	(3,004,943)	0	0	(3,004,943)	0.00	(3,006,235)	0	0	(3,006,235)
DP 886 - CHIP Annualization Correction										
07	0.00	154,259	0	653,803	808,062	0.00	154,259	0	653,803	808,062
DP 887 - County Hospital Intergovernmental Transfer Program										
07	0.00	0	267,525	718,924	986,449	0.00	0	266,144	720,305	986,449
Total	0.50	\$4,324,902	(\$5,962,537)	\$7,956,076	\$6,318,441	0.50	\$4,766,885	(\$6,022,730)	\$10,800,589	\$9,544,744

New Proposals

New proposals are appropriations for new or expanded services above the cost of providing the level of service authorized

by the previous legislature. Changes in funding for services are usually considered new proposals as well. Each new proposal will be discussed in the following sub-program narratives that correspond to major division functions. Some new proposals, such as the FTE reduction, affect more than one sub-program.

DIVISION ADMINISTRATION

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	8.21	0.00	0.00	8.21	0.00	0.00	8.21	8.21
Personal Services	509,875	(17,631)	0	492,244	(13,842)	0	496,033	988,277
Operating Expenses	460,467	(58,444)	21,423	423,446	(57,227)	21,423	424,663	848,109
Equipment	15,792	0	0	15,792	0	0	15,792	31,584
Capital Outlay	0	0	0	0	0	0	0	0
Grants	0	0	171,577	171,577	0	171,577	171,577	343,154
Benefits & Claims	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$986,134	(\$76,075)	\$193,000	\$1,103,059	(\$71,069)	\$193,000	\$1,108,065	\$2,211,124
General Fund	231,337	(3,542)	(7,000)	220,795	(1,051)	(7,000)	223,286	444,081
State/Other Special	19,542	(17,770)	0	1,772	(17,666)	0	1,876	3,648
Federal Special	735,255	(54,763)	200,000	880,492	(52,352)	200,000	882,903	1,763,395
Total Funds	\$986,134	(\$76,075)	\$193,000	\$1,103,059	(\$71,069)	\$193,000	\$1,108,065	\$2,211,124

Division administration includes staff and resources that provide overall direction, leadership, fiscal, and policy services for all programs administered by the division. The cost of division administration is allocated among all division programs.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				2,880					6,826
Vacancy Savings				(14,510)					(14,629)
Inflation/Deflation				147					1,010
Fixed Costs				4,672					5,243
Total Statewide Present Law Adjustments				(\$6,811)					(\$1,550)
DP 696 - Data Network Fixed Cost Reduction	0.00	(8)	0	(13)	0.00	(8)	0	(13)	(21)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(11,891)	(18,599)	(32,752)	0.00	(11,932)	(18,664)	(32,863)	(63,459)
DP 699 - Vacancy Savings at 4 Percent	0.00	(2,007)	(170)	(3,824)	0.00	(2,020)	(171)	(3,848)	(6,039)
Total Other Present Law Adjustments	0.00	(\$13,906)	(\$18,769)	(\$36,589)	0.00	(\$13,960)	(\$18,835)	(\$36,724)	(\$69,519)
Grand Total All Present Law Adjustments				(\$76,075)					(\$71,069)

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 108 - Bunker Hill Federal Grant										
01	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
01	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
Total	0.00	(\$7,000)	\$0	\$200,000	\$193,000	0.00	(\$7,000)	\$0	\$200,000	\$193,000

New Proposals

DP 108 - Bunker Hill Federal Grant - The legislature appropriated \$400,000 federal funds from a grant to conduct medical screening of Montana residents exposed to high levels of lead at the Bunker Hill Smelter in Kellogg, Idaho. In 1973 the Bunker Hill Lead smelter burned, releasing high levels of lead into the surrounding environment. It is estimated that as many as 10 percent of the 8,500 residents of the Silver Valley between 1973 to 1981 have moved to Montana.

DPHHS plans to establish a Montana office with a toll-free line and fund media messages to identify and locate individuals currently residing in Montana that are part of the at-risk Silver Valley population. Eligible persons will be provided a free preliminary screen for hypertension and renal disease, two potential diseases related to lead exposure. If a medical problem is identified, eligible persons will be offered additional free medical screening by a health care provider of their choice. This screening, when necessary, will include a diagnostic evaluation by a sub-specialist. The program cannot pay for medical therapy that may be required.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts \$250,000 general fund from various divisions to the Child Support Enforcement Division. This shift of \$14,000 from the Health Policy Services Division is one of several throughout the department that partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

MEDICAID SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	25.12	0.00	2.00	27.12	0.00	2.00	27.12	27.12
Personal Services	1,096,844	(6,113)	61,429	1,152,160	(324)	61,633	1,158,153	2,310,313
Operating Expenses	3,239,498	7,022	1,011,000	4,257,520	8,606	1,007,000	4,255,104	8,512,624
Equipment	158,260	0	0	158,260	0	0	158,260	316,520
Grants	137,948	0	0	137,948	0	0	137,948	275,896
Benefits & Claims	197,690,616	46,516,733	5,712,146	249,919,495	64,227,748	8,157,699	270,076,063	519,995,558
Total Costs	\$202,323,166	\$46,517,642	\$6,784,575	\$255,625,383	\$64,236,030	\$9,226,332	\$275,785,528	\$531,410,911
General Fund	41,773,578	9,306,498	7,209,200	58,289,276	13,136,069	7,916,597	62,826,244	121,115,520
State/Other Special	9,409,558	1,722,524	(6,029,463)	5,102,619	2,366,621	(6,089,873)	5,686,306	10,788,925
Federal Special	151,140,030	35,488,620	5,604,838	192,233,488	48,733,340	7,399,608	207,272,978	399,506,466
Total Funds	\$202,323,166	\$46,517,642	\$6,784,575	\$255,625,383	\$64,236,030	\$9,226,332	\$275,785,528	\$531,410,911

The Medicaid Services Bureau administers a wide range of medical programs. (The changes for CHIP services are included in a separate sub-program.) The bureau operates 30 different Medicaid medical programs with more than 6,000 providers. Passport, a primary care case management program (gatekeeper model) that began in 1993 and includes approximately 70 percent of all Medicaid recipients is the managed care program for Medicaid. The Medicaid HMO program was discontinued in July 2000 and recipients who were previously served under this program are now served by Passport.

The Bureau manages other Medicaid services including: physicians; mid-level practitioners; podiatrists; laboratory; imaging; family planning; public health clinics; pharmacy; home infusion therapy; durable medical equipment; transportation; ambulance; audiology; hearing aids; vision services; eyeglasses; chiropractors; nutritionists; dentists; private duty nurses; school-based services; Qualified Medicare Beneficiary (QMB); presumptive eligibility for pregnant women; and respiratory, physical, occupational, and speech therapy.

With the exception of the Indian Health Services program, the state must provide a match for Medicaid services. Administrative costs are funded 50 percent state match with some functions enhanced an additional 10 to 25 percent. The state match for services costs declined from 27.85 percent in fiscal 2000 to 27.12 percent in fiscal 2002 and 26.98 percent in fiscal 2003.

The Medicaid services budget increased largely due to caseload growth and inflation in the costs of services such as pharmacy (\$66.3 million over the biennium), compliance with a legislative audit finding to include the cost and revenue of drug rebates from manufacturers (\$34 million), provider rate increases (\$9 million), and miscellaneous increases for Medicaid outreach, federal Medicaid matching funds for services provided by schools, and an intergovernmental transfer program for county hospitals (\$7 million).

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				39,557						45,587
Vacancy Savings				(31,424)						(31,605)
Inflation/Deflation				(2,166)						(1,505)
Fixed Costs				9,250						10,173
Total Statewide Present Law Adjustments				\$15,217						\$22,650
DP 15 - Indian Health Services Caseload Adjustment										
0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,050,000	1,050,000	
DP 42 - Medicare Buy-In Caseload Adjustment										
0.00	146,448	0	393,552	540,000	0.00	210,444	0	569,556	780,000	
DP 43 - Medicaid Caseload Adjustment										
0.00	6,589,162	0	22,362,099	28,951,261	0.00	10,508,683	0	33,930,557	44,439,240	
DP 89 - Medicaid Drug Rebates/TPL Collections as Revenue										
0.00	0	4,346,108	11,679,364	16,025,472	0.00	0	4,845,205	13,113,303	17,958,508	
DP 403 - 9-Mill Levy Income from State Assumed Counties										
0.00	981,000	(981,000)	0	0	0.00	990,000	(990,000)	0	0	
DP 696 - Data Network Fixed Cost Reduction										
0.00	(20)	0	(42)	(62)	0.00	(20)	0	(42)	(62)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(7,123)	0	(7,123)	(14,246)	0.00	(7,153)	0	(7,153)	(14,306)	
Total Other Present Law Adjustments										
0.00	\$7,709,467	\$3,365,108	\$35,427,850	\$46,502,425	0.00	\$11,701,954	\$3,855,205	\$48,656,221	\$64,213,380	
Grand Total All Present Law Adjustments				\$46,517,642						\$64,236,030

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 15 - Indian Health Services Caseload Adjustment - The legislature approved the addition of \$2 million in federal funds over the biennium for the Indian Health Services program, which pays the Medicaid costs for Medicaid-eligible Native Americans served at Indian Health Services facilities. The increase is based on an estimated 5 percent caseload increase relating to the number of eligible persons and service utilization. Indian Health Services is funded entirely with federal funds.

DP 42 - Medicare Buy-In Caseload Adjustment - The legislature added \$1.3 million total funds, including \$0.4 million general fund, for the Medicare Buy-In program. The program allows state Medicaid programs to purchase Medicare coverage through premium payments for Medicaid recipients who are dually eligible for Medicare and Medicaid. Subsequently, Medicare covers the cost of most services for an individual with no further Medicaid liability. Medicaid is liable only for the costs of non-Medicare covered services and for co-insurance and deductibles related to services utilized. This request reflects increases in caseload and premiums for Medicare Part A and Part B. Premium increases are based on projections by the Health Care Financing Administration: monthly premiums for Part B will increase from the 1999 level of \$44.67 to \$47.46 per month in 2002 and \$48.25 per month in 2003. Premiums for Medicare part A will be static over the next several years. Caseload increases assume a 2 percent increase in the number of persons eligible for part B, consistent with actual increases over the last several years.

DP 43 - Medicaid Caseload Adjustment - The legislature added \$73 million total funds, including \$17 million general fund, for the estimated Medicaid caseload increase for primary care and hospital programs including the number of persons eligible, utilization, and patient acuity levels. The amount appropriated by the legislature increased \$23 million total funds, including \$7.0 million general fund, over the amounts in Governor Martz's budget due to rising cost

projections. The most significant factor is a recent increase in the number of disabled persons eligible for services due to recent court rulings regarding administration of federal supplemental security income (SSI) eligibility.

DP 89 - Medicaid Drug Rebates/TPL Collections as Revenue - The legislature added \$34 million over the biennium to comply with a legislative audit finding. The finding in the DPHHS 1999 audit determined that use of the accounting technique of abating drug rebate receipts against pharmacy expenditures did not correctly record expenditures and revenues and that use of abatements does not comply with generally accepted accounting principles. The audit recommendation requires the department to account for rebates as revenue and not use rebates to offset expenditures starting in fiscal 2002. This accounting change requires that the costs, which were formerly reduced by drug rebate revenue, will be included in the budget.

DP 403 - 9-Mill Levy Income from State Assumed Counties - The legislature added \$1.9 million general fund over the biennium to offset reductions in the 9-mill levy income. The Executive Budget included a lower amount than adopted in the legislative revenue estimates. After passage and approval of HB 124 the legislature appropriated general fund to replace the 9-mill levy revenue from state assumed counties (see new proposal 425). HB 124 transferred administration of public welfare and child welfare programs from counties to the state and revised funding mechanisms, which included elimination of the 9-mill levy for the 13 counties that were state assumed prior to passage of HB 124.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 90 - Claims Adjudication Specialists										
02	2.00	(11,413)	0	(96,158)	(107,571)	2.00	(37,784)	0	(173,583)	(211,367)
DP 124 - Ambulance Provider Rate Increase										
02	0.00	90,267	0	242,575	332,842	0.00	92,667	0	250,799	343,466
DP 125 - Dental Provider Rate Increase										
02	0.00	47,822	222,204	725,645	995,671	0.00	355,529	0	989,219	1,344,748
DP 126 - Provider Rate Increase - RBRVS/PASS										
02	0.00	252,524	0	678,614	931,138	0.00	506,681	0	1,371,305	1,877,986
DP 127 - Hospital Provider Rate Increase										
02	0.00	113,000	197,808	835,238	1,146,046	0.00	137,504	505,983	1,741,563	2,385,050
DP 419 - Federal Medicaid Funds for School Services										
02	0.00	0	0	1,500,000	1,500,000	0.00	0	0	1,500,000	1,500,000
DP 425 - HB 124 - Revise Local Government Funding										
02	0.00	6,717,000	(6,717,000)	0	0	0.00	6,862,000	(6,862,000)	0	0
DP 700 - Federal Funds for Medicaid Outreach										
02	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 887 - County Hospital Intergovernmental Transfer Program										
02	0.00	0	267,525	718,924	986,449	0.00	0	266,144	720,305	986,449
Total	2.00	\$7,209,200	(\$6,029,463)	\$5,604,838	\$6,784,575	2.00	\$7,916,597	(\$6,089,873)	\$7,399,608	\$9,226,332

New Proposals

DP 90 - Claims Adjudication Specialists - The legislature added funds for 2.0 FTE and \$140,000 in operating costs over the biennium to perform claims adjudication procedures. Anticipated savings in Medicaid services costs provide a net reduction of \$319,000 total funds and \$49,000 general fund over the biennium.

The new positions would perform complex claims adjudication procedures that are currently done by program managers. This change is anticipated to provide program managers with additional time to work on other cost containment measures.

such as developing programs that would reduce outpatient hospital procedures that are performed out of state. It is anticipated that a 25 percent reduction in out-of-state outpatient hospital procedures would result within the first full year after implementation.

The legislature added language to HB 2 requiring the program to report on the number of out-of-state procedures reviewed, the number of out-of-state procedures diverted to in-state facilities, and the resulting savings.

DP 124 - Ambulance Provider Rate Increase - The legislature accepted the executive request for \$676,000 total funds, including \$183,000 general fund, to raise ambulance rates to a level sufficient to pay about 70 percent of charges. The funding would also allow DPHHS to change the Medicaid reimbursement methodology to follow that used by Medicare.

Prior to the rate increase, the Medicaid reimbursement for ambulance services in aggregate is about 37 percent of usual and customary charges. By comparison, Medicare reimbursement for similar services is approximately 69 percent of charges for basic life support and 75 percent of charges for advanced life support. The adoption of Medicare reimbursement methodology will standardize Medicare and Medicaid coverage policies.

DP 125 - Dental Provider Rate Increase - The legislature approved \$2.3 million total funds and \$0.6 million general fund over the biennium to raise Medicaid dental/denturist aggregate reimbursement to 71 percent of the usual and customary charges. The current rate of reimbursement for dental/denturist services is 65 percent of usual and customary charges. The request would increase the fiscal 2002 dental program cost by nearly 20 percent. As part of this request, DPHHS will also work with dentists to rebase the current Medicaid fee schedule to provide reasonable and adequate reimbursement for dental/denturist services to ensure access to care.

DP 126 - Provider Rate Increase - RBRVS/PASS - The legislature appropriated \$2.8 million total funds including \$0.8 million general fund for a 2.4 percent reimbursement increase for physicians; nurse practitioners; physician assistants; podiatrists; chiropractors; physical, occupational, and speech therapists; and audiologists paid under the Resource Based Relative Value System (RBRVS) for each year of the biennium. Mental health providers are not included in this request.

Currently, Medicaid rates in aggregate are at 93 percent of Medicare rates, which corresponds to 55 percent of provider charges. The rate increase will raise Medicaid rates to about 90 percent of Medicare rates in fiscal 2002.

The legislature added language to HB 2 requiring the appropriation to be used to raise rates paid to providers receiving the lowest reimbursements and to freeze rates paid to providers receiving higher rates of reimbursement.

DP 127 - Hospital Provider Rate Increase - The legislature appropriated \$3.5 million total funds including \$0.2 million general fund and \$0.8 million from tobacco settlement trust fund interest over the biennium for a 1.8 percent annual provider rate increase for hospital providers participating in Medicaid hospital program. The rate increase is below the rate of inflation for health care providers established by the Health Care Price Index as of December 2000.

DP 419 - Federal Medicaid Funds for School Services - The legislature appropriated \$1.5 million in federal Medicaid funds for to help pay for Medicaid eligible services provided to Medicaid eligible children by schools. Schools would provide the state match for the federal Medicaid funds.

The legislature also added language directing that additional federal funds could not be spent if it would increase the general fund expenditures beyond the level appropriated to the Health Policy and Services Division during the 2003 biennium.

DP 425 - HB 124 - Revise Local Government Funding - The legislature passed HB 124, which revised local government funding. One of the changes included in HB 124 replaced county funding of public welfare and child welfare functions with general fund and transferred administration of these programs to the state. The legislature appropriated \$15.6 million of general fund in place of the 9-mill levy state special revenue that state-assumed counties had been required to remit to the state prior to the passage of HB 124.

DP 700 - Federal Funds for Medicaid Outreach - The legislature approved \$2 million federal funds over the biennium to improve Medicaid enrollment and eligibility determination processes. The enhanced funding is available to assist with the additional expenses attributable to the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

States must provide a 10 to 25 percent match depending on the type of activity performed. The state match will be funded within existing appropriations.

DP 887 - County Hospital Intergovernmental Transfer Program - The legislature approved \$1.9 million total funds over the biennium to implement an intergovernmental transfer program for county funded hospitals. In order to be eligible to participate, county-funded hospitals must be a critical access hospital and be reimbursed on a prospective payment basis.

Under the intergovernmental transfer program, counties can forward county revenue to DPHHS to match with federal Medicaid funds to raise rates paid for Medicaid services. The allowable federal upper payment limit for hospitals participating in this type of program is 150 percent of the amount paid under Medicare cost principles.

Language

Items [Health Policy and Services Division, Senior and Long-Term Care Division, and Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, section 4, of the Montana constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, section 4, of the Montana constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division, Senior and Long-Term Care Division, and Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include but are not limited to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

The Health Policy and Services Division is authorized to pursue up to \$1.5 million in federal special revenue each year of the biennium in item [Health Policy and Services Division] to enhance or improve division services or programs to public schools. This additional federal special revenue may be expended on services by the division as long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated by the legislature to the division.

HEALTH SYSTEMS BUREAU

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	33.87	1.00	(4.50)	30.37	1.00	(4.50)	30.37	30.37
Personal Services	1,242,438	162,887	(137,538)	1,267,787	173,303	(138,014)	1,277,727	2,545,514
Operating Expenses	6,157,736	601,590	(3,895,414)	2,863,912	458,146	(3,920,986)	2,694,896	5,558,808
Equipment	20,997	0	(8,948)	12,049	0	(8,948)	12,049	24,098
Grants	53,485	0	218,500	271,985	0	18,500	71,985	343,970
Benefits & Claims	567	0	31,609	32,176	0	32,652	33,219	65,395
Total Costs	\$7,475,223	\$764,477	(\$3,791,791)	\$4,447,909	\$631,449	(\$4,016,796)	\$4,089,876	\$8,537,785
General Fund	4,002,134	35,990	(3,155,567)	882,557	41,443	(3,356,971)	686,606	1,569,163
State/Other Special	21,784	36,244	0	58,028	36,244	0	58,028	116,056
Federal Special	3,451,305	692,243	(636,224)	3,507,324	553,762	(659,825)	3,345,242	6,852,566
Total Funds	\$7,475,223	\$764,477	(\$3,791,791)	\$4,447,909	\$631,449	(\$4,016,796)	\$4,089,876	\$8,537,785

The Health Systems Bureau is responsible for establishing state public health policy and implementing state programs that promote the health of all Montanans by controlling and preventing chronic diseases and injuries. The bureau:

- ?? Emphasizes development and maintenance of statewide systems to improve delivery of public health programs, chronic disease prevention, health promotion, injury prevention, primary care, and emergency medical services
- ?? Manages statewide programs in breast and cervical cancer screening, diabetes control, cardiovascular disease prevention, and tobacco use prevention
- ?? Exercises responsibility for statewide emergency medical services and trauma system
- ?? Licenses ambulances, trains emergency medical technicians/first responders, monitors trauma with Montana hospitals, and operates the poison control center
- ?? Administers health planning functions including the Certificate of Need Program, Montana Health Agenda, and the establishment of data sources to assist in health planning and prioritization
- ?? Administers the federal Preventive Health Block Grant, which provides funding for state public health programs.

The bureau is funded from general fund, federal funds, and state special revenue. General fund supports tobacco control, emergency medical services, health planning, trauma system implementation, and certificate of need. State special revenue supports trauma system implementation and emergency medical technician certification and licensing. Federal grant funds support the balance of program costs.

The 2003 biennium budget request is lower than base budget expenditures due to elimination of \$6 million general fund for tobacco control and prevention activities and transfer of the remaining \$3 million in federal and general fund and 5.0 FTE to the Directors Office. Federal grant increases for cardiovascular health, diabetes control and primary care add \$1.3 million over the biennium and fund 2.5 FTE. A new proposal to implement the state trauma system adds \$250,000 general fund over the biennium.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					172,872					183,546
Vacancy Savings					(38,881)					(39,199)
Inflation/Deflation					3,267					6,713
Fixed Costs					3,541					4,651
Total Statewide Present Law Adjustments					\$140,799					\$155,711
DP 16 - Tobacco Prevention Grant Increase	1.00	0	0	159,586	159,586	1.00	0	0	159,754	159,754
DP 18 - EMT Certification	0.00	0	36,350	0	36,350	0.00	0	36,350	0	36,350
DP 401 - Federal Grant Increase - Diabetes	0.00	0	0	310,455	310,455	0.00	0	0	191,455	191,455
DP 404 - Primary Care Federal Grant Increase	0.00	0	0	135,442	135,442	0.00	0	0	106,442	106,442
DP 699 - Vacancy Savings at 4 Percent	0.00	(4,342)	(106)	(13,707)	(18,155)	0.00	(4,368)	(106)	(13,789)	(18,263)
Total Other Present Law Adjustments	1.00	(\$4,342)	\$36,244	\$591,776	\$623,678	1.00	(\$4,368)	\$36,244	\$443,862	\$475,738
Grand Total All Present Law Adjustments					\$764,477					\$631,449

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 16 - Tobacco Prevention Grant Increase - The legislature funded 1.0 FTE and \$319,340 in federal authority over the biennium to support community-based programs and to create and implement monitoring and evaluation systems for tobacco use prevention. The FTE has already been hired and was authorized by operating plan budget changes approved by the Office of Budget and Program Planning.

DP 18 - EMT Certification - The legislature appropriated \$72,700 state special revenue from fees for emergency medical technician certification and licensure. Fees are paid by persons who participate in the certification and licensure activity. The division expects a slight increase in fees and in the number of persons certified and licensed. Fee changes are due to price increases for the examination and certification process purchased from the National Registry of Emergency Medical Technicians and increases in state expenses. Base budget expenditures for this function were about \$22,000 state special revenue.

DP 401 - Federal Grant Increase - Diabetes - The legislature appropriated \$501,910 federal funds over the biennium for an increase in the federal diabetes grant to educate persons about the disease and control the increase in incidence of the disease.

DP 404 - Primary Care Federal Grant Increase - The legislature added \$241,888 federal funds over the biennium for an increase in the primary care federal grant from the Centers for Disease Control.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - Highway Traffic Safety Grant										
03	0.00	0	0	83,000	83,000	0.00	0	0	83,000	83,000
DP 200 - Certificate of Need Operations										
03	0.00	23,000	0	0	23,000	0.00	23,000	0	0	23,000
DP 405 - Assistance for Montanans Exposed to Asbestos										
03	0.00	18,500	0	0	18,500	0.00	18,500	0	0	18,500
DP 416 - Fiber Optic Rural TeleHealth (Biennial/OTO)										
03	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 421 - Transfer Tobacco Control and Prevention Programs										
03	(5.00)	(502,165)	0	(980,126)	(1,482,291)	(5.00)	(502,155)	0	(980,593)	(1,482,748)
DP 689 - FTE Reduction										
03	(1.00)	(14,959)	0	0	(14,959)	(1.00)	(15,081)	0	0	(15,081)
DP 702 - Cardiovascular Health Program-CDC Grant										
03	1.50	0	0	260,902	260,902	1.50	0	0	237,768	237,768
DP 703 - Trauma System Implementation										
03	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 881 - Reduce Tobacco Control Prevention Program Expendit										
03	0.00	(3,004,943)	0	0	(3,004,943)	0.00	(3,006,235)	0	0	(3,006,235)
Total	(4.50)	(\$3,155,567)	\$0	(\$636,224)	(\$3,791,791)	(4.50)	(\$3,356,971)	\$0	(\$659,825)	(\$4,016,796)

New Proposals

DP 102 - Highway Traffic Safety Grant - The legislature approved \$166,000 federal funds to improve emergency medical services data collection and analysis and to enhance injury prevention. The funds will be used to continue the prehospital data collection system, to link the trauma register and EMS data base with other health care databases, and to provide funding for EMS agencies and non-profit organizations to promote injury prevention activities including seat belt use, child safety seat use, and bike helmet use.

DP 200 - Certificate of Need Operations - The legislature added \$46,000 general fund for the Certificate of Need program (authorized in Title 50, Section 5, Parts 1 and 3, MCA). Funds were not appropriated for this function by the 1999 legislature. The legislature continued funding for the program to avoid construction of additional Medicaid eligible facilities and services that were estimated to cost more general fund than cost of the Certificate of Need program.

DP 405 - Assistance for Montanans Exposed to Asbestos - The legislature added \$37,000 general fund over the biennium for contracted services to assist persons in Libby who have been exposed to asbestos. The appropriation is restricted and authorized for the 2003 biennium only.

DP 416 - Fiber Optic Rural TeleHealth (Biennial/OTO) - The legislature appropriated \$200,000 general fund over the biennium for grants to rural hospitals to purchase equipment that can be used to transmit information via a fiber optic cable. The information would be transmitted from rural hospitals to medical specialists for diagnostic assistance.

DP 421 - Transfer Tobacco Control and Prevention Programs - The legislature transferred 5.0 FTE and \$3 million total funds (\$1 million general fund) over the biennium from the Health Policy and Services Division to the Interagency Coordinating Council on Prevention in the Director's Office. The legislature added language to HB 2 indicating its intent that the Interagency Coordinating Council administer the program.

DP 689 - FTE Reduction - The legislature directed that 3.0 FTE could not be included in the base budget funding for the division 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by about \$30,000 over the biennium.

The Health Systems Bureau FTE were reduced by 1.0 and \$30,000 general fund was removed. The Family and Community Health Bureau and CHIP Bureau were each reduced by 1.0 FTE.

DP 702 - Cardiovascular Health Program-CDC Grant - The legislature approved \$500,555 of federal funds for a cardiovascular health program and funded 1.5 FTE. Grant funds will end September 2003 and will support a total of 3.5 FTE, because 2.0 of the FTE are already funded in the DPHHS base budget using other sources of funds.

The legislature added language that the FTE may not be included in the 2003 biennium adjusted base budget unless they are funded by federal or private funds.

DP 703 - Trauma System Implementation - The legislature added \$150,000 general fund over the biennium to continue funding for the position of the state trauma nurse coordinator who manages the state trauma care system. The Executive Budget included state special revenue from an increase on vehicle licenses. However, the legislature tabled the bill that would have instituted the fee. The legislature reallocated general fund in the Disability Services Division to cover the cost of the trauma system implementation.

The duties of the position that is funded include: 1) providing technical assistance to Montana hospitals and critical access hospitals; 2) arranging and providing training programs for emergency medical personnel, physicians, nurses and other medical personnel in the proper management of the acutely injured trauma patient; 3) providing technical assistance and training for the regional trauma advisory councils so they can improve their regional trauma care delivery system; 4) overseeing the trauma register, a system for collection information on seriously injured patients and using that data to improve the care of the patients; and 5) identifying deficiencies in the trauma care system and making plans for improvement.

DP 881 - Reduce Tobacco Control Prevention Program - The legislature accepted the executive request to reduce general fund tobacco control prevention programs by \$6 million general fund over the biennium. The remaining funding of \$1.5 million a year including federal grant funds and \$0.5 million general fund and 5.0 FTE were transferred to the Director's Office. The legislature added language to HB 2 directing that the Interagency Coordinating Council on Prevention administer the tobacco prevention and control program.

Language

Item [Cardiovascular Grant] includes funds for 3.5 FTE. Funds for the FTE may not be included in the adjusted base budget for the 2005 biennium unless federal funds or private revenue is available to fund the position.

Item [Montanans Exposed to Asbestos] must be spent on services to assist Montanans who have been exposed to asbestos. Funds in item [Montanans Exposed to Asbestos] may not be expended for any other purpose.

Funds in item [Fiber Optic Rural TeleHealth Equipment] may be used only to purchase equipment to transmit or to facilitate the transmission of medical images and x-rays from rural hospitals to medical specialists. The funds may be granted only to rural hospitals or groups of rural hospitals to purchase the equipment.

FAMILY AND COMMUNITY HEALTH BUREAU

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	30.00	0.00	1.00	31.00	0.00	1.00	31.00	31.00
Personal Services	1,290,657	(18,721)	80,309	1,352,245	(11,055)	80,591	1,360,193	2,712,438
Operating Expenses	2,494,180	207,463	1,135,600	3,837,243	14,490	2,171,000	4,679,670	8,516,913
Equipment	0	0	0	0	0	0	0	0
Grants	5,872,785	0	0	5,872,785	0	0	5,872,785	11,745,570
Benefits & Claims	8,606,319	3,314,510	110,040	12,030,869	3,300,000	166,000	12,072,319	24,103,188
Total Costs	\$18,263,941	\$3,503,252	\$1,325,949	\$23,093,142	\$3,303,435	\$2,417,591	\$23,984,967	\$47,078,109
General Fund	1,287,751	6,692	40,000	1,334,443	7,437	60,000	1,355,188	2,689,631
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	16,976,190	3,496,560	1,285,949	21,758,699	3,295,998	2,357,591	22,629,779	44,388,478
Total Funds	\$18,263,941	\$3,503,252	\$1,325,949	\$23,093,142	\$3,303,435	\$2,417,591	\$23,984,967	\$47,078,109

The Family and Community Health Bureau administers public health programs for women, children, and families including: the Women, Infants, and Children (WIC) program; Family Planning; the Montana Initiative for the Abatement of Mortality in Infants (MIAMI); prenatal programs; Children's Special Health Services; and county grants from the Maternal and Child Health Block Grant. The bureau also coordinates fetal, infant, and child mortality reviews, and Sudden Infant Death Syndrome (SIDS) prevention.

Program funding is primarily from federal grant funds for WIC, the Maternal Child Health Block Grant, and family planning grant funds. General fund supports a genetics contract (about \$600,000 annually), the MIAMI program (about \$460,000 annually); health care services for low-income children (about \$100,000 annually); matching funds for WIC vouchers to be used at farmers' markets (\$100,000); some family planning functions (about \$25,000 annually); and bureau administration costs (about \$70,000 annually). The budget approved for the bureau increases about \$10.6 million over the biennium primarily due to the addition of: 1) \$6.6 million in federal funds to comply with a legislative audit finding; 2) \$2 million federal funds to upgrade the WIC computer system; and 3) \$1.6 million in new or increased federal grants.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				34,497					42,483
Vacancy Savings				(36,409)					(36,650)
Inflation/Deflation				22					1,634
Fixed Costs				11,543					12,903
Total Statewide Present Law Adjustments				\$9,653					\$20,370
DP 20 - Montana Birth Outcomes Monitoring	0.00	0	0	60,455	0.00	0	0	0	0
DP 21 - Fetal Infant Child Mortality Review	0.00	0	0	150,000	0.00	0	0	0	0
DP 106 - WIC Infant Formula Rebates	0.00	0	0	3,300,000	0.00	0	0	3,300,000	3,300,000
DP 696 - Data Network Fixed Cost Reduction	0.00	0	0	(47)	0.00	0	0	(47)	(47)
DP 699 - Vacancy Savings at 4 Percent	0.00	(2,268)	0	(14,541)	0.00	(2,283)	0	(14,605)	(16,888)
Total Other Present Law Adjustments	0.00	(\$2,268)	\$0	\$3,495,867	0.00	(\$2,283)	\$0	\$3,285,348	\$3,283,065
Grand Total All Present Law Adjustments				\$3,503,252					\$3,303,435

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 20 - Montana Birth Outcomes Monitoring - The legislature approved \$60,455 federal authority in fiscal 2002 to: identify adverse pregnancy outcomes related to human or environmental factors; track incidence of these outcomes; establish services for children with special health care needs; and support prevention of adverse outcomes through education.

DP 21 - Fetal Infant Child Mortality Review - The legislature approved \$300,000 federal authority over the biennium to fund contractual support to communities conducting reviews of deaths, and a state team to advise the department on causes and interventions related to preventable deaths. The fetal, infant, and child mortality review process is authorized in state statute. The review process is intended to assist communities to develop interventions and prevent subsequent deaths of children. In 1998, there were 10 review teams functioning in the state, and they reviewed 98 out of 225 fetal, infant, and child deaths (44 percent). As of August 2000, there are 18 local teams and three tribal jurisdictions, with the capacity to review about 75 percent of all fetal, infant, and child deaths in Montana. The goal is to have capacity to review 100 percent of the deaths by 2001.

DP 106 - WIC Infant Formula Rebates - The legislature approved \$6.6 million in federal funds to comply with a legislative audit finding. The Office of the Legislative Auditor (OLA) recommended in the fiscal 1999 DPHHS audit to change the accounting method for WIC infant formula rebates. Under current practice, rebates are considered abatements of expenditures, reducing expenditures for infant formula in WIC. In the opinion of OLA, this practice does not comply with generally accepted accounting principles. The audit recommends DPHHS account for rebates as revenue and not as an abatement of expenditures.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 103 - Fetal Alcohol Syndrome										
04	0.00	0	0	600,000	600,000	0.00	0	0	600,000	600,000
DP 104 - Health Educator - Women's Health										
04	1.00	0	0	54,551	54,551	1.00	0	0	50,719	50,719
DP 107 - MCH Data Analyst Position										
04	1.00	0	0	38,758	38,758	1.00	0	0	36,872	36,872
DP 109 - Upgrade/Replace WIC Eligibility and Benefits System										
04	0.00	0	0	500,000	500,000	0.00	0	0	1,530,000	1,530,000
DP 400 - Farmer's Market Vouchers - WIC										
04	0.00	40,000	0	92,640	132,640	0.00	60,000	0	140,000	200,000
DP 689 - FTE Reduction										
04	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Total	1.00	\$40,000	\$0	\$1,285,949	\$1,325,949	1.00	\$60,000	\$0	\$2,357,591	\$2,417,591

New Proposals

DP 103 - Fetal Alcohol Syndrome - The legislature approved \$1.2 million in federal funds received as part of a four-state consortium to develop a plan to address the impacts of fetal alcohol syndrome and fetal alcohol effect (FAS/FAE). FAS is a pattern of birth defects and neurological damage cause by prenatal alcohol exposure and is recognized as the leading identifiable cause of mental retardation and neurologic dysfunction in the United States. The Centers for Disease Control reported a six-fold increase in the incidence of babies born with FAS between 1960 and 1995.

Plan development would include state agencies and academic institutions. A preliminary plan will include, but is not limited to: 1) education of professionals and the general public; 2) development of legislation regarding FAS/FAE; 3) development of a continuum of services for FAS/FAE-diagnosed clients; 4) screening that promotes early identification and supports early intervention; and 5) prevention of the incidence of FAS by targeted interventions with the pregnant and child bearing populations.

DP 104 - Health Educator - Women's Health - The legislature added \$105,270 federal funds for the biennium for 1.00 FTE health educator in the Women's Health Section. The FTE is currently funded as a modified position and was funded by the 1999 legislature. Funding for this position has been earmarked in the Title X federal grant since 1989. The health educator position continues to be a requirement of the Title X funding and some of the Title X grant is restricted to this use. This position is responsible for education services, community outreach and marketing, and evaluating education services in local family planning programs as well as training activities and efforts aimed toward the prevention of unintended pregnancy.

DP 107 - MCH Data Analyst Position - The legislature added \$75,630 federal funds for the biennium for 1.0 FTE. The FTE is currently funded as a modified position. This position will gather and analyze maternal child health data, particularly data required by the Maternal and Child Block Grant, to address the performance measures and health status indicators. Funding will be from existing federal resources.

DP 109 - Upgrade/Replace WIC Eligibility and Benefits System - The legislature appropriated \$2 million federal funding for the biennium to revise and update the existing Women, Infants, and Children (WIC) automated system used to track eligibility of and food vouchers issued to individual recipients. The current WIC system was implemented in Montana in May of 1994 and uses programs that are becoming obsolete. To address the obsolescence issue, DPHHS contracted to investigate alternative technology solutions. As a result of that investigation, DPHHS is proceeding with plans to update the system.

DP 400 – Farmers’ Market Vouchers - WIC - The legislature added \$332,640, including \$100,000 general fund, over the biennium to allow an expansion in the WIC program. The expansion would provide vouchers for WIC participants to purchase produce at farmers’ markets.

DP 689 - FTE Reduction - The legislature directed that 3.0 FTE could not be included in the base budget funding for the division 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by about \$30,000 over the biennium.

The Health Systems Bureau FTE were reduced by 1.0 and \$30,000 general fund was removed. The Family and Community Health Bureau and CHIP Bureau were each reduced by 1.0 FTE.

COMMUNICABLE DISEASE CONTROL AND PREVENTION BUREAU

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	44.78	0.00	3.00	47.78	0.00	3.00	47.78	47.78
Personal Services	1,843,527	(85,900)	111,392	1,869,019	(74,327)	111,782	1,880,982	3,750,001
Operating Expenses	3,103,424	103,905	431,254	3,638,583	109,745	432,783	3,645,952	7,284,535
Equipment	104,992	0	99,657	204,649	0	99,657	204,649	409,298
Grants	463,007	50,000	356,343	869,350	50,000	272,333	785,340	1,654,690
Benefits & Claims	6,496	0	0	6,496	0	0	6,496	12,992
Debt Service	2,576	0	0	2,576	0	0	2,576	5,152
Total Costs	\$5,524,022	\$68,005	\$998,646	\$6,590,673	\$85,418	\$916,555	\$6,525,995	\$13,116,668
General Fund	655,785	(29,147)	84,010	710,648	(26,410)	0	629,375	1,340,023
State/Other Special	1,974,280	(14,882)	66,926	2,026,324	(6,748)	67,143	2,034,675	4,060,999
Federal Special	2,893,957	112,034	847,710	3,853,701	118,576	849,412	3,861,945	7,715,646
Total Funds	\$5,524,022	\$68,005	\$998,646	\$6,590,673	\$85,418	\$916,555	\$6,525,995	\$13,116,668

The Communicable Disease Control and Prevention Bureau is responsible for several programs related to detection, control, and prevention of communicable diseases. This bureau administers:

- ?? The STD/HIV Prevention Program, which provides surveillance and outbreak control of reportable infectious diseases, including AIDS and other sexually transmitted diseases
- ?? The Sexual Assault Prevention Program
- ?? The Immunization Program, which prevents the occurrence and transmission of vaccine-preventable diseases such as measles, mumps, hepatitis, and rubella
- ?? The Epidemiology Program, which manages the division's efforts toward disease control through surveillance, outbreak response, and epidemiological efforts
- ?? The Food and Consumer Safety Program, which is responsible for ensuring that healthful conditions exist and are maintained in food serving and processing establishments, hotels, motels, campgrounds, public pools, and trailer parks; and for providing training support services to local health agencies and sanitarians
- ?? The state Public Health Laboratory

The communicable disease budget rises about \$2 million over the biennium primarily due to: general fund of \$84,010 for AIDS treatment; federal grants for 1.0 FTE and bioterrorism prevention (\$900,000), AIDS treatment and prevention (\$744,666), and lab and epidemiology capacity (\$148,000); and state special revenue appropriations for 2.0 FTE and public health laboratory costs (\$134,000) and local board inspection funding (\$100,000).

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				(12,224)						(167)
Vacancy Savings				(50,170)						(50,534)
Inflation/Deflation				3,285						6,236
Fixed Costs				26,182						29,071
Total Statewide Present Law Adjustments				(\$32,927)						(\$15,394)
DP 17 - Epidemiology and Lab Capacity Grant	0.00	0	0	74,438	0.00	0	0	74,438	74,438	
DP 19 - Local Board Inspection Fund	0.00	0	50,000	0	0.00	0	50,000	0	50,000	
DP 699 - Vacancy Savings at 4 Percent	0.00	(2,693)	(11,099)	(9,714)	0.00	(2,709)	(11,157)	(9,760)	(23,626)	
Total Other Present Law Adjustments				\$100,932						\$100,812
Grand Total All Present Law Adjustments				\$68,005						\$85,418

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 17 - Epidemiology and Lab Capacity Grant - The legislature approved \$148,876 federal funds over the biennium to improve epidemiology and laboratory capacity. Federal funds will be used to enhance laboratory and surveillance capability to identify food borne illness and a small amount of the funds may be used to address problems with Hepatitis C in high-risk populations.

DP 19 - Local Board Inspection Fund - The legislature authorized \$100,000 state special revenue funds over the biennium due to increases in the number of licensed establishments in existence across the state. Additional authority was added due to an increase in numbers of establishments of 7 percent or 490 in the second year of the biennium. Licensed public establishments (including restaurants, trailer courts and campgrounds, motels and hotels, swimming pools and spas) pay DPHHS a fee for establishment licenses. Counties receive 85 percent of the license fee revenue based on performance of inspection, education, and enforcement services. DPHHS collects the establishment fee and remits the appropriate balance to the counties. This proposal would allow DPHHS to remit the anticipated level of fee income to counties during the 2003 biennium.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 87 - Compliance Investigation										
05	0.00	0	0	21,031	21,031	0.00	0	0	22,733	22,733
DP 110 - Public Health Laboratory										
05	2.00	0	66,926	0	66,926	2.00	0	67,143	0	67,143
DP 111 - Bioterrorism Preparedness										
05	1.00	0	0	454,346	454,346	1.00	0	0	454,346	454,346
DP 409 - AIDS Treatment/Prevention										
05	0.00	0	0	372,333	372,333	0.00	0	0	372,333	372,333
DP 410 - HIV/AIDS Treatment and Coverage										
05	0.00	84,010	0	0	84,010	0.00	0	0	0	0
Total	3.00	\$84,010	\$66,926	\$847,710	\$998,646	3.00	\$0	\$67,143	\$849,412	\$916,555

New Proposals

DP 87 - Compliance Investigation - The legislature authorized \$40,000 federal funds due to additional funding through the Food and Drug Administration contract for various compliance activities.

DP 110 - Public Health Laboratory - The legislature funded 2.00 FTE in the public health laboratory and added \$134,069 state special revenue. The positions perform laboratory testing, data entry, and mailroom duties. The FTE are funded from fee income for laboratory testing.

DP 111 - Bioterrorism Preparedness - The legislature funded 1.0 FTE and added \$908,692 federal funds over the biennium for a grant to: enhance surveillance of disease, in order to assure early detection of bioterrorism events or other public health disasters; assure a minimum standard of technology and communication equipment at each local health department and DPHHS; and provide training to local and state public health staff to prepare for public health disasters, including possible bioterrorist attacks. The grant is anticipated to be renewed for five years.

DP 409 - AIDS Treatment/Prevention - The legislature appropriated \$0.7 million federal funds over the biennium for federal grant increases to fund treatment and prevention of AIDS. Treatment services include purchasing drugs, payment of health insurance premiums, and payment for other medical services such as dental care for over 140 low-income Montanans.

DP 410 - HIV/AIDS Treatment and Coverage - The legislature appropriated \$84,010 general fund for prevention of and treatment for persons with the HIV virus and AIDS. The appropriation is biennial and restricted. The general fund increase was offset by reductions in the Mental Health Services Plan (MHSP) cost projections.

CHIP

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	4.54	6.00	(1.00)	9.54	6.00	(1.00)	9.54	9.54
Personal Services	243,518	164,468	0	407,986	166,008	0	409,526	817,512
Operating Expenses	148,128	989,120	0	1,137,248	1,013,979	0	1,162,107	2,299,355
Equipment	36,836	24,000	0	60,836	0	0	36,836	97,672
Benefits & Claims	3,498,308	8,760,406	808,062	13,066,776	8,759,732	808,062	13,066,102	26,132,878
Total Costs	\$3,926,790	\$9,937,994	\$808,062	\$14,672,846	\$9,939,719	\$808,062	\$14,674,571	\$29,347,417
General Fund	668,563	1,978,224	154,259	2,801,046	1,999,353	154,259	2,822,175	5,623,221
State/Other Special	136,151	(136,151)	0	0	(136,151)	0	0	0
Federal Special	3,122,076	8,095,921	653,803	11,871,800	8,076,517	653,803	11,852,396	23,724,196
Total Funds	\$3,926,790	\$9,937,994	\$808,062	\$14,672,846	\$9,939,719	\$808,062	\$14,674,571	\$29,347,417

The Children's Health Insurance Program (CHIP) program includes staff and resources to administer an insurance program for children in families with incomes less than 150 percent of the federal poverty level (\$26,475 for a family of 4 in 2001). The state contracts with private insurance carriers to provide and pay for services. Families with incomes above 100 percent of the federal poverty level pay an annual co-payment of \$215.

CHIP is funded from a fixed federal grant. States have three years from the time it is received to spend the grant allotment. Federal funds require a state match based on a percentage of the match rate for Medicaid benefits. The Montana match requirement for federal CHIP funding is 19.09 percent in fiscal 2002, and 19.24 percent in fiscal 2003. Administrative costs are limited to 10 percent of the grant amount.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					(23,433)					(22,532)
Vacancy Savings					(6,120)					(6,147)
Inflation/Deflation					679					1,206
Fixed Costs					17,825					18,157
Total Statewide Present Law Adjustments					(\$11,049)					(\$9,316)
DP 44 - CHIP Annualization	6.00	1,899,906	0	8,052,458	9,952,364	6.00	1,914,835	0	8,037,529	9,952,364
DP 699 - Vacancy Savings at 4 Percent	0.00	(634)	0	(2,687)	(3,321)	0.00	(640)	0	(2,689)	(3,329)
Total Other Present Law Adjustments										
	6.00	\$1,899,272	\$0	\$8,049,771	\$9,949,043	6.00	\$1,914,195	\$0	\$8,034,840	\$9,949,035
Grand Total All Present Law Adjustments					\$9,937,994					\$9,939,719

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 44 - CHIP Annualization - The legislature funded 6.0 FTE and added \$19.9 million total funds including \$3.8 million general fund to annualize the cost of CHIP. Enrollment in CHIP increased gradually reaching 9,251 in January 2001. Average annual enrollment in CHIP was substantially lower in the base budget, about 2,850 children, than ongoing enrollment, which is expected to be 9,251.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	FTE	Fiscal 2002-----				Fiscal 2003-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 689 - FTE Reduction										
06	(1.00)	0	0	0	0	(1.00)	0	0	0	0
DP 886 - CHIP Annualization Correction										
06	0.00	154,259	0	653,803	808,062	0.00	154,259	0	653,803	808,062
Total	(1.00)	\$154,259	\$0	\$653,803	\$808,062	(1.00)	\$154,259	\$0	\$653,803	\$808,062

New Proposals

DP 689 - FTE Reduction - The legislature directed that 3.0 FTE could not be included in the base budget funding for the division 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by about \$30,000 over the biennium.

The Health Systems Bureau FTE were reduced by 1.0 and \$30,000 general fund was removed. The Family and Community Health Bureau and CHIP Bureau were each reduced by 1.0 FTE.

DP 886 – CHIP Annualization Correction - This adjustment augments PL 44 CHIP annualization. These funds will allow the CHIP program to continue at its present service level of 9,251 children annually (pending no changes in the CHIP insurance premium). PL 44 is understated by \$1.6 million total funds, including \$0.3 million general fund.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	113.71	0.00	(4.00)	109.71	0.00	(4.00)	109.71	109.71
Personal Services	4,335,905	216,749	(1,834)	4,550,820	242,707	4,929	4,583,541	9,134,361
Operating Expenses	1,765,600	68,002	450,000	2,283,602	77,953	440,000	2,283,553	4,567,155
Equipment	37,773	0	0	37,773	0	0	37,773	75,546
Grants	0	0	370,000	370,000	0	370,000	370,000	740,000
Total Costs	\$6,139,278	\$284,751	\$818,166	\$7,242,195	\$320,660	\$814,929	\$7,274,867	\$14,517,062
General Fund	1,658,639	204,212	202,525	2,065,376	215,309	210,329	2,084,277	4,149,653
State/Other Special	386,883	17,098	(184,359)	219,622	18,499	(195,400)	209,982	429,604
Federal Special	4,093,756	63,441	800,000	4,957,197	86,852	800,000	4,980,608	9,937,805
Total Funds	\$6,139,278	\$284,751	\$818,166	\$7,242,195	\$320,660	\$814,929	\$7,274,867	\$14,517,062

Program Description

The Quality Assurance Division provides a comprehensive and coordinated quality assurance program and evaluates services provided by DPHHS to the citizens of Montana. Functions include the provision of:

- ?? Fair hearings
- ?? Facility management
- ?? Contract and financial audits
- ?? Ongoing reviews to monitor the appropriate use of Medicaid by recipients and providers
- ?? Estate, cost avoidance and fraud recovery
- ?? Quality control samples for compliance with federal and state eligibility rules
- ?? Performance measures and benchmarking
- ?? Certification of health care facilities and clinical laboratories
- ?? Inspection and licensure of health care providers and other facilities or services licenses issued by the department

Program Reorganization

The community residential licensing function (licensing of group homes for foster care children and developmentally disabled persons) was moved to the Quality Assurance Division from the Child and Family Services Division in fiscal 2000. The reorganization involved the transfer of 7.0 FTE, 5.0 of whom are located in field offices, and \$315,742 (including \$217,321 general fund).

Another 0.7 FTE was transferred to the Quality Assurance Division from the Child and Family Services Division to support childcare licensure. That function was transferred during the 1999 biennium.

Program Narrative

The Quality Assurance Division 2003 biennium annual appropriation is about \$1.1 million higher than base budget expenditures. General fund increases about \$0.4 million annually. Major changes to the 2003 biennium appropriation are:

- ?? Funding for the critical access hospital federal grant which added \$1.6 million federal funds
- ?? HB 124 which added \$0.4 million general fund and reduced state special revenue county funds by nearly the same amount
- ?? Increased contracted services for licensure which added \$0.1 million general fund as a one-time-only appropriation
- ?? Other changes including increased vacancy savings, rent, and data network charge reductions and direction to remove 4.0 FTE from the base budget funding for next session which reduced appropriations by \$0.1 million total funds

One of the major policies considered by the legislature dealt with inspection of radiological equipment (see DP 172), since the level of funding requested by the executive and approved by the legislature to fulfill licensure activities would not provide timely inspections of all radiological equipment in the state.

DPHHS indicated that it would make the following management and administrative rule changes governing the radiologic program because the base level funding and the present law adjustment were less than necessary to fulfill all current requirements. The rule changes are: 1) establish health and safety standards for radiology equipment, operating personnel and patients; and 2) require all hospitals, cancer treatment centers, radiation diagnostic centers, health clinics, and other non-health care businesses using radiology equipment to certify once a biennium to DPHHS that health and safety standards are met. DPHHS would inspect annually 20 percent of all remaining radiology equipment used in dental, chiropractic, podiatrist, veterinarian, and private physician offices.

There are 960 radiological installations in Montana. Currently the Quality Assurance Division has 1.0 FTE to survey, inspect, register, and license radiology facilities and services. The position was vacant for an extended period of time due to inability to recruit. Administrative Rules of Montana require that a facility register radiological equipment within 30 days of acquisition and reregister equipment every 2 years and that the equipment be inspected as time and resources allow.

Funding

The Quality Assurance Division is funded primarily from federal funds (68.5 percent of the fiscal 2003 appropriation). The single largest source of federal funds is Medicaid funding. General fund accounts for 29 percent of program funding; state special revenue accounts for 3 percent.

Table 26 Quality Assurance Division Funding				
Fund Source	Actual Fiscal 2000	Legislative Fiscal 2002	Appropriation Fiscal 2003	Percent of Total
General Fund	\$ 1,658,639	\$2,065,376	\$2,084,277	28.7%
Percent of Total Funds	27.0%	28.5%	28.7%	
State Special Revenue				
Lien & Estate Recovery	\$144,538	\$164,474	\$154,474	2.1%
Earmarked Alcohol Funds	57,227	55,148	55,508	0.8%
County Funds	185,118	0	0	0.0%
Subtotal State Special Revenue	<u>\$386,883</u>	<u>\$219,622</u>	<u>\$209,982</u>	<u>2.9%</u>
Percent of Total Funds	6.3%	3.0%	2.9%	
Federal Funds				
Title 18 (Medicare)	\$1,034,633	\$1,074,095	\$1,082,162	14.9%
Medicaid Administration	909,948	937,499	941,228	12.9%
Rural Hospital Flexibility	0	800,000	800,000	11.0%
Medicaid Benefits	416,840	449,885	453,101	6.2%
Discretionary Child Care	444,994	416,320	418,868	5.8%
Child Care Administration	78,945	79,025	79,509	1.1%
Title IV-E (Foster Care)	77,757	77,829	78,268	1.1%
Title 18 (Medicare - CLIA)	58,303	58,573	58,946	0.8%
FDA Mammography Inspec.	46,814	48,169	48,461	0.7%
OBRA Nurse Aide	15,105	28,771	28,918	0.4%
ADAD Block Grant	3,528	3,528	3,528	0.0%
Indirect/Cost Allocation	<u>1,006,889</u>	<u>983,503</u>	<u>987,619</u>	<u>13.6%</u>
Subtotal Federal Funds	<u>\$4,093,756</u>	<u>\$4,957,197</u>	<u>\$4,980,608</u>	<u>68.5%</u>
Percent of Total Funds	66.7%	68.4%	68.5%	
Total Funds	<u>\$6,139,278</u>	<u>\$7,242,195</u>	<u>\$7,274,867</u>	<u>100.0%</u>
Increase Above Base		18.0%	18.5%	
Annual Rate of Change from Base		8.6%	5.8%	

General fund supports the full cost of radiological equipment testing, the state match for Medicaid and Title IV-E (foster care) eligible costs, a portion of childcare licensure, the non federal share of costs for fair hearings for the Medicaid, Food Stamp, and FAIM benefit programs, and a portion of division administration.

State special revenue includes alcohol taxes allocated to DPHHS and lien and estate recoveries for Medicaid services. Alcohol taxes support staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for contracted services to pursue recoveries for the cost of Medicaid-funded nursing home services. The contractor is paid about 20 percent of collections.

The increase in general fund and decline in state special revenue is due primarily to passage of HB 124. HB 124 transfers administration and funding for some functions previously administered and funded by counties to the state.

There are nine separate federal funding sources used by the Quality Assurance Division. Some federal sources support more than one function.

- ?? Medicaid funds support third party (insurance and private pay) recovery, the surveillance, utilization and review unit, the nurse aide registry for nursing homes and the Department of Justice fraud investigation contract
- ?? Medicaid and Medicare funds support certification of nursing home and personal care services
- ?? Medicare CLIA pays for the review of some laboratories so that they can qualify for federal funding
- ?? The rural hospital flexibility grant supports grants and other activities that allow local hospitals to maintain critical access hospital status
- ?? Childcare funding supports licensure of childcare facilities
- ?? Title IV-E pays for the federal share of licensing community residential facilities
- ?? Mammography funds pay for inspections of mammography equipment
- ?? Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					406,554					433,592
Vacancy Savings					(129,955)					(130,764)
Inflation/Deflation					11,656					20,031
Fixed Costs					839					2,297
Total Statewide Present Law Adjustments					\$289,094					\$325,156
DP 91 - Leased Motor Pool Cars	0.00	(375)	0	(825)	(1,200)	0.00	(375)	0	(825)	(1,200)
DP 172 - Increased Licensure Bureau Services	0.00	58,737	0	0	58,737	0.00	58,862	0	0	58,862
DP 696 - Data Network Fixed Cost Reduction	0.00	(36)	0	(126)	(162)	0.00	(36)	0	(126)	(162)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(982)	(44)	(842)	(1,868)	0.00	(985)	(45)	(845)	(1,875)
DP 699 - Vacancy Savings at 4 percent	0.00	(18,744)	(2,686)	(38,420)	(59,850)	0.00	(18,832)	(2,696)	(38,593)	(60,121)
Total Other Present Law Adjustments										
	0.00	\$38,600	(\$2,730)	(\$40,213)	(\$4,343)	0.00	\$38,634	(\$2,741)	(\$40,389)	(\$4,496)
Grand Total All Present Law Adjustments					\$284,751					\$320,660

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 91 - Leased Motor Pool Cars - The legislature accepted the reduction of \$2,400 total funds, including \$750 in the general fund for the biennium for two motor pool lease cars in the Billings and Miles City field offices. Appropriations are reduced since the cost of leasing cars is anticipated to be lower than the cost of reimbursing employees for using private vehicles for work-related travel.

DP 172 - Increased Licensure Bureau Services - The legislature accepted the executive request for \$117,599 general fund for the biennium to expand contracted services for licensure and radiology inspection functions. The legislature designated the appropriation as one time only. The executive withdrew funding for 1.0 FTE that was included in the request. As discussed in the program narrative, DPHHS testified that it would amend rules regarding testing of radiological equipment since the appropriations were not sufficient to test all equipment in a timely manner.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	-----Fiscal 2002-----				-----Fiscal 2003-----				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 114 - Critical Access Hospital Grant										
08	0.00	0	0	800,000	800,000	0.00	0	0	800,000	800,000
DP 406 - Information Services for Personal Care Facilities										
08	0.00	0	20,000	0	20,000	0.00	0	10,000	0	10,000
DP 425 - HB 124 - Revise Local Government Funding										
08	0.00	211,082	(204,359)	0	6,723	0.00	218,916	(205,400)	0	13,516
DP 689 - FTE Reduction										
08	(4.00)	(8,557)	0	0	(8,557)	(4.00)	(8,587)	0	0	(8,587)
Total	(4.00)	\$202,525	(\$184,359)	\$800,000	\$818,166	(4.00)	\$210,329	(\$195,400)	\$800,000	\$814,929

New Proposals

DP 114 - Critical Access Hospital Grant - The legislature accepted the executive request to add \$1.6 million in federal funds over the biennium to continue a program established through budget amendment in the 2001 biennium. The program provides rural hospitals with grants to purchase equipment and convert to critical access hospital status. Grants have supported emergency medical services, as well as quality improvement and quality assurance programs and activities. Some of the grant funds are being used to fund planning and other activities that will help rural hospitals recruit and retain health professionals.

DP 406 - Information Services for Personal Care Facilities - The legislature appropriated \$30,000 state special revenue from Medicaid lien and estate recoveries. Funds will be used to provide information and education to managers of personal care facilities.

DP 425 - HB 124 - Revise Local Government Funding - The legislature passed HB 124, which revises local government funding. One of the changes included in HB 124 replaces county funding of public welfare and foster care functions with general fund. The legislature increased general fund \$429,998 over the biennium and reduced state special revenue by \$409,759. The net increase in general fund (\$20,239) supports the pay plan increase that would have been paid by county funds prior to the passage of HB 124. The pay plan bill (HB 13) had been transmitted to the Governor prior to passage of HB 124 so general fund to support the pay plan increase in the 2003 biennium was included in HB 2.

DP 689 - FTE Reduction - The legislature directed that 4.0 FTE could not be included in the base budget funding for the 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by \$8,557 in fiscal 2002 and \$8,587 in fiscal 2003.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	140.00	0.00	0.00	140.00	0.00	0.00	140.00	140.00
Personal Services	4,962,930	360,188	(535,335)	4,787,783	390,612	(529,857)	4,823,685	9,611,468
Operating Expenses	22,711,118	2,011,993	(683,548)	24,039,563	2,433,967	(683,548)	24,461,537	48,501,100
Equipment	41,352	0	0	41,352	0	0	41,352	82,704
Debt Service	317,198	0	0	317,198	0	0	317,198	634,396
Total Costs	\$28,032,598	\$2,372,181	(\$1,218,883)	\$29,185,896	\$2,824,579	(\$1,213,405)	\$29,643,772	\$58,829,668
General Fund	10,767,331	1,470,515	(652,626)	11,585,220	1,613,203	(1,177,965)	11,202,569	22,787,789
State/Other Special	2,062,464	185,585	(679,997)	1,568,052	198,179	(149,180)	2,111,463	3,679,515
Federal Special	15,202,803	716,081	113,740	16,032,624	1,013,197	113,740	16,329,740	32,362,364
Total Funds	\$28,032,598	\$2,372,181	(\$1,218,883)	\$29,185,896	\$2,824,579	(\$1,213,405)	\$29,643,772	\$58,829,668

Program Description

The Operations and Technology Division (OTD) provides support services for the Department of Public Health and Human Services. Services provided by the division include: 1) fiscal and accounting services; 2) budget preparation and managerial services; 3) purchasing, leasing and mail room services; and 4) development and operation of internal computer systems and telecommunications.

OTD manages contracts for several large computer systems including:

- ?? The Economic Assistance Management System (TEAMS)
- ?? System for the Enforcement and Recovery of Child Support (SEARCHS)
- ?? Montana Medicaid Information System (MMIS)
- ?? Child and Adult Protective Services System (CAPS)

Program Narrative

Table 27 summarizes the major functions of the Operations and Technology Division. One-third of the division funding supports accounting, budgeting, purchasing, communications, computer support, and similar centralized services functions, while slightly less than two-thirds of the division's funding supports large computer system contracts with private contractors.

Table 27
Operations and Technology Division
Summary of Major Program Functions with Funding

Function	Fiscal 2000 Base Budget				Fiscal 2002 Appropriation				Fiscal 2003 Appropriation		
	General Fund	State Special	Federal	Total Funds	General	State Special	Federal	Total Funds	General	State Special	Federal
Centralized Services Functions:											
Administration - Division	(\$211,411)	\$242,509	\$440,465	\$471,563	\$138,363	\$24,730	\$249,762	\$412,855	\$186,500	\$28,572	\$285,641
Budget and Analysis	197,885	5,574	194,757	398,216	181,061	16,327	174,400	371,788	183,029	16,439	175,599
Fiscal *	1,442,956	386,451	1,956,085	3,785,492	1,453,739	156,449	2,328,677	3,938,865	1,404,197	176,545	2,295,231
Legislative Audit (biennial)	76,413	16,663	81,224	174,300	154,636	37,800	151,200	343,636	77	19	75
Network & Communications Services	569,697	15,339	597,114	1,182,150	570,780	26,707	396,241	993,728	574,907	26,841	398,540
Information Systems Bureau	654,457	0	674,245	1,328,702	529,563	28,672	876,766	1,435,001	535,335	28,812	879,206
Internal Support (Purchasing and Supply, etc)	674,315	147,702	717,226	1,539,243	924,247	65,974	843,002	1,833,223	957,118	68,278	872,441
Reimbursement	<u>576,864</u>	<u>0</u>	<u>0</u>	<u>576,864</u>	<u>614,515</u>	<u>0</u>	<u>0</u>	<u>614,515</u>	<u>617,078</u>	<u>0</u>	<u>0</u>
Subtotal Agency Centralized Services	<u>\$3,981,176</u>	<u>\$814,238</u>	<u>\$4,661,116</u>	<u>\$9,456,530</u>	<u>\$4,566,904</u>	<u>\$356,659</u>	<u>\$5,020,048</u>	<u>\$9,943,611</u>	<u>\$4,458,241</u>	<u>\$345,506</u>	<u>\$4,906,733</u>
Percent of Total	42.1%	8.6%	49.3%	100.0%	45.9%	3.6%	50.5%	100.0%	45.9%	3.6%	50.5%
Other Functions:											
Vital Statistics	\$335,007	\$168,914	\$83,379	\$587,300	\$267,601	\$252,365	\$16,255	\$536,221	\$269,085	\$253,822	\$16,346
Labs	0	568,888	0	568,888	0	601,582	0	601,582	0	605,689	0
Tumor Registry	51,611	0	553	52,164	63,121	0	68,082	131,203	63,350	0	68,329
Contracted Computer Systems:											
The Economic Assistance Management System (TEAMS)	\$2,792,180	\$510,424	\$4,020,723	\$7,323,327	\$3,189,757	\$0	\$3,762,026	\$6,951,783	\$3,307,619	\$0	\$3,879,933
System for the Enforcement & Recovery of Child Support (SEARCHS)	933,136	0	1,922,908	2,856,044	737,381	357,446	2,125,252	3,220,079	254,214	906,446	2,253,046
Child & Adult Protective Services (CAPS)	1,554,543	0	1,155,090	2,709,633	1,560,196	0	1,440,180	3,000,376	1,610,472	0	1,486,589
Medicaid Management Information (MMIS)	968,708	0	2,906,125	3,874,833	1,049,290	0	3,147,872	4,197,162	1,088,618	0	3,265,855
Med Stat	<u>150,970</u>	<u>0</u>	<u>452,909</u>	<u>603,879</u>	<u>150,970</u>	<u>0</u>	<u>452,909</u>	<u>603,879</u>	<u>150,970</u>	<u>0</u>	<u>452,909</u>
Subtotal External Systems	<u>\$6,399,537</u>	<u>\$510,424</u>	<u>\$10,457,755</u>	<u>\$17,367,716</u>	<u>\$6,687,594</u>	<u>\$357,446</u>	<u>\$10,928,239</u>	<u>\$17,973,279</u>	<u>\$6,411,893</u>	<u>\$906,446</u>	<u>\$11,338,332</u>
Percent of Total	36.8%	2.9%	60.2%	100.0%	37.2%	2.0%	60.8%	100.0%	34.4%	4.9%	60.8%
Total Operations and Technology Division	<u>\$10,767,331</u>	<u>\$2,062,464</u>	<u>\$15,202,803</u>	<u>\$28,032,598</u>	<u>\$11,585,220</u>	<u>\$1,568,052</u>	<u>\$16,032,624</u>	<u>\$29,185,896</u>	<u>\$11,202,569</u>	<u>\$2,111,463</u>	<u>\$16,329,740</u>
Percent of Total	38.4%	7.4%	54.2%	100.0%	39.7%	5.4%	54.9%	100.0%	37.8%	7.1%	55.1%

*The funding for this section includes a general fund reduction equivalent to a 1 percent reduction in personal services costs. The department may allocate this reduction agency wide.

Increased funding to support contracted services for automated systems managed by the Operations and Technology Division is included in the budget for the division responsible for program management including:

- ?? The Child Support Enforcement Division, \$209,104 state special revenue and \$405,908 federal funds as biennial appropriations to increase the SEARCHS facility maintenance contract by 20 percent
- ?? The Human and Community Services Division, \$1.5 million federal funds for reprocurement and enhancements to TEAMS including funding to provide electronic benefit transfer of cash assistance benefits

The department is in the process of programming and implementing electronic benefit transfer of food stamp benefits. This project was begun in the 2001 biennium and will be completed during the 2003 biennium. The department is funding the food stamp electronic benefit transfer project within existing appropriations. No new funding was requested or approved for this purpose.

Funding

The Operations and Technology Division is funded by a combination of general fund, state special revenue, and federal funds. As illustrated in Table 28, general fund provides approximately 38 percent of funding for the division. State special revenue provides 7 percent and federal funding provides 55 percent of the funding for the division. Funding for the Operations and Technology Division is unique to the function being performed.

Table 28
Operations and Technology Division

Fund Source	Fiscal 2000 Actual	Legislative Appropriation		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$10,767,331	\$11,585,220	\$11,202,569	37.8%
Percent of Total	38.4%	39.7%	37.8%	
State Special Revenue				
Cost Allocation	\$1,324,662	\$720,673	\$1,258,529	4.2%
Chem Lab	568,888	594,174	598,268	2.0%
Vital Statistics	168,914	253,205	254,666	0.9%
Subtotal State Special Revenue	<u>\$2,062,464</u>	<u>\$1,568,052</u>	<u>\$2,111,463</u>	<u>7.1%</u>
Percent of Total	7.4%	5.4%	7.1%	
Federal Funds				
Cost Allocation	\$15,118,871	\$15,947,374	\$16,244,149	54.8%
Tumor Registry	<u>83,932</u>	<u>85,250</u>	<u>85,591</u>	<u>0.3%</u>
Subtotal Federal Funds	<u>\$15,202,803</u>	<u>\$16,032,624</u>	<u>\$16,329,740</u>	<u>55.1%</u>
Percent of Total	54.2%	54.9%	55.1%	
Total Funds	<u>\$28,032,598</u>	<u>\$29,185,896</u>	<u>\$29,643,772</u>	<u>100.0%</u>
Increase Above Base		4.1%	5.7%	
Annual Rate of Change from Base		2.0%	1.9%	

Administrative, fiscal, and budget support services are charged to the various programs managed by the department through a department-wide cost allocation. Laboratory services are funded by state special revenue generated by the collection of fees. Vital records and statistics are funded with 50 percent general fund, 47 percent state special revenue and 3 percent federal funds. The tumor registry is funded with 48 percent general fund and 52 percent federal funds.

The legislature approved funding for the Operations and Technology Division that is \$1.4 million general fund and \$1.6 million total funds less than the Executive Budget. The general fund support for the division as a percentage of total funding that was included in the Executive Budget was greater than the percentage of general fund support utilized in fiscal 2000. The legislature reduced general fund support for the division by \$750,000 to maintain

general fund as a percentage of total funding at the same level as fiscal 2000 actual funding. Additionally, the legislature reduced state special revenue in the Child Support Enforcement Division by approximately \$1.3 million and provided this funding to the Operations and Technology Division to support costs associated with SEARCHS.

HB 124 passed by the legislature revised local government funding and provided that public assistance and protective services programs be funded with general fund rather than county funds. General fund support for this division was increased by \$1,044,768 in fiscal 2002 and of \$1,070,319 in fiscal 2003 and state special revenue from counties was reduced \$1,037,443 in fiscal 2002 and \$1,055,626 in fiscal 2003 due to the provisions of HB 124.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				581,979						613,675
Vacancy Savings				(151,161)						(152,112)
Inflation/Deflation				(837,679)						(834,635)
Fixed Costs				1,284,111						1,022,179
Total Statewide Present Law Adjustments				\$877,250						\$649,107
DP 54 - TEAMS Facility Maintenance Contract										
0.00	24,007	0	24,008	48,015	0.00	60,496	0	60,497		120,993
DP 55 - MMIS Facility Maintenance Contract										
0.00	80,582	0	241,747	322,329	0.00	119,910	0	359,730		479,640
DP 56 - CAPS Facility Maintenance Contract										
0.00	50,109	0	46,255	96,364	0.00	56,856	0	52,482		109,338
DP 57 - SEARCHS Facility Maintenance Contract										
0.00	22,943	0	44,536	67,479	0.00	26,533	0	51,505		78,038
DP 65 - Cost Allocation Plan Contract										
0.00	19,000	5,000	26,000	50,000	0.00	19,000	5,000	26,000		50,000
DP 67 - CAPS Computer Processing										
0.00	102,750	0	94,846	197,596	0.00	145,825	0	134,607		280,432
DP 70 - SEARCHS Computer Processing										
0.00	189,349	0	367,560	556,909	0.00	251,592	0	488,385		739,977
DP 73 - TEAMS Computer Processing										
0.00	85,554	64,540	150,094	300,188	0.00	131,832	99,453	231,285		462,570
DP 696 - Data Network Fixed Cost Reduction										
0.00	(12,187)	(2,043)	(10,535)	(24,765)	0.00	(12,712)	(2,145)	(10,988)		(25,845)
DP 698 - Rent Reduction - Use of Capitol Land Grant										
0.00	(18,980)	(15,730)	(13,844)	(48,554)	0.00	(19,045)	(15,783)	(13,892)		(48,720)
DP 699 - Vacancy Savings at 4 Percent										
0.00	(34,307)	(12,012)	(24,311)	(70,630)	0.00	(34,458)	(12,071)	(24,422)		(70,951)
Total Other Present Law Adjustments										
0.00	\$508,820	\$39,755	\$946,356	\$1,494,931	0.00	\$745,829	\$74,454	\$1,355,189		\$2,175,472
Grand Total All Present Law Adjustments				\$2,372,181						\$2,824,579

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 54 - TEAMS Facility Maintenance Contract - The legislature approved \$84,503 general fund and \$84,505 federal funds for the biennium to increase funding for the existing The Economic Assistance Management System (TEAMS) contract and extend the contract beyond October 31, 2001.

DP 55 - MMIS Facility Maintenance Contract - The legislature approved \$200,492 general fund and \$601,477 federal funds for the biennium to extend the existing facility maintenance contract for the Montana Medicaid Management Information System (MMIS).

DP 56 - CAPS Facility Maintenance Contract - The legislature approved \$106,965 general fund and \$98,737 federal funds for the biennium for increases in the Child and Adult Protective Services System (CAPS) facility maintenance contract for the 2003 biennium.

DP 57 - SEARCHS Facility Maintenance Contract - The legislature approved \$145,517 general and federal funds for the biennium to extend the existing System for the Enforcement and Recovery of Child Support (SEARCHS) facility maintenance contract beyond October 31, 2001.

DP 65 - Cost Allocation Plan Contract - The legislature approved \$38,000 general fund and \$62,000 state special and federal funding for the biennium for consulting services to assist the department in preparing a new public assistance cost allocation plan.

DP 67 - CAPS Computer Processing - The legislature approved \$248,575 general fund and \$229,453 federal funds for the biennium for increased mainframe usage for CAPS.

DP 70 - SEARCHS Computer Processing - The legislature approved \$1.3 million general fund and federal funds for the biennium for increased mainframe usage for SEARCHS.

DP 73 - TEAMS Computer Processing - The legislature approved \$217,386 general fund and \$545,372 state special revenue and federal funds for the biennium for increased mainframe usage for TEAMS.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 425 - HB 124, Revise Local Government Funding										
09	0.00	1,044,768	(1,037,443)	0	7,325	0.00	1,070,319	(1,055,626)	0	14,693
DP 601 - Reduce General Fund Support - Operations & Technology Division										
09	0.00	(375,000)	0	375,000	0	0.00	(375,000)	0	375,000	0
DP 602 - Reduce General Fund Support for SEARCHS										
09	0.00	0	0	0	0	0.00	(549,000)	549,000	0	0
DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH										
09	0.00	(357,446)	357,446	0	0	0.00	(357,446)	357,446	0	0
DP 607 - Community Collaborative Project (IV-E)										
09	0.00	(25,000)	0	(25,000)	(50,000)	0.00	(25,000)	0	(25,000)	(50,000)
DP 608 - Big Brothers/Big Sisters Increase										
09	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
DP 623 - Shift Funding to Child Support Enforcement										
09	0.00	(10,000)	0	0	(10,000)	0.00	(10,000)	0	0	(10,000)
DP 690 - Personal Services General Fund Reduction										
09	0.00	(542,660)	0	0	(542,660)	0.00	(544,550)	0	0	(544,550)
DP 693 - Statewide Travel Reduction										
09	0.00	(158,038)	0	0	(158,038)	0.00	(158,038)	0	0	(158,038)
DP 882 - TEAMS/VHSP Enhancement Reduction										
09	0.00	(128,246)	0	(128,246)	(256,492)	0.00	(128,246)	0	(128,246)	(256,492)
DP 883 - TEAMS EBT Study OTO Reduction										
09	0.00	(16,004)	0	(48,014)	(64,018)	0.00	(16,004)	0	(48,014)	(64,018)
DP 885 - Oracle License OTO										
09	0.00	(60,000)	0	(60,000)	(120,000)	0.00	(60,000)	0	(60,000)	(120,000)
Total	0.00	(\$652,626)	(\$679,997)	\$113,740	(\$1,218,883)	0.00	(\$1,177,965)	(\$149,180)	\$113,740	(\$1,213,405)

New Proposals

DP 425 - HB 124, Revise Local Government Funding - HB 124, passed by the legislature, revised local government funding and provided that public assistance and protective services programs be funded with general fund rather than county funds. General fund support for this division was increased by \$1,044,768 in fiscal 2002 and \$1,070,319 in fiscal 2003 and state special revenue from counties was reduced \$1,037,443 in fiscal 2002 and \$1,055,626 in fiscal 2003 due to the provisions of HB 124

DP 601 - Reduce General Fund Support - Operations & Technology Division - The legislature approved a \$375,000 per year reduction in general fund support for the Operations and Technology Division. The general fund support for this division as a percentage of total funding increased between the 2003 biennium budget request and the fiscal 2000 base budget.

DP 602 - Reduce General Fund Support for SEARCHS - The legislature reduced general fund support for the SEARCHS system costs by \$549,000 in fiscal 2003 to reflect the availability of an equal amount of child support enforcement state special revenue to fund SEARCHS facility maintenance contract costs in fiscal 2003.

DP 603 - HB 64 Plan, Close Regional CSED Office/Fund SEARCH - The legislature approved a portion of the Child Support Enforcement Division's 15 percent reduction plan regarding closure of a regional CSED office. The legislature provided \$357,446 state special revenue per year available due to the reduction in Child Support Enforcement Division costs to the Operations and Technology Division to fund SEARCHS system costs, and removed an equal amount of general fund.

DP 607 - Community Collaborative Project (IV-E) - The legislature removed \$25,000 general fund and \$25,000 federal funds each year of the biennium from the Operations and Technology Division and provided this funding to the Child and Family Services Division to fund 1.0 FTE for the Community Collaborative Project (IV-E).

DP 608 - Big Brothers/Big Sisters Increase - The legislature removed \$25,000 general fund each year of the biennium from the Operations and Technology Division and provided this funding to the Child and Family Services Division to fund an increase in the Big Brothers/Big Sisters program.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts funding between divisions to partially reinstate a reduction in FTE (approved by the legislature) in the Child Support Enforcement Division.

DP 690 - Personal Services General Fund Reduction - The legislature reduced general fund personal services funding at a level equivalent to the general fund share of 1 percent of authorized FTE. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

DP 693 - Statewide Travel Reduction - The legislature made a reduction in general fund each year equivalent to 15 percent of all general fund expenditures for travel in the fiscal 2000 budget base. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

DP 882 - TEAMS/VHSP Enhancement Reduction - The legislature approved a reduction of \$512,984, including \$256,492 general fund, to reflect a reduction in The Economic Assistance Management System (TEAMS)/Virtual Human Service Pavilion (VHSP) enhancements activity.

DP 883 - TEAMS EBT Study OTO Reduction - The legislature approved a reduction of \$128,036, including \$32,008 general fund, to decrease the base expenditures by the amount used for a one-time study for Electronic Benefits Transfer (EBT).

DP 885 - Oracle License OTO - The legislature approved a reduction of \$240,000, including \$120,000 general fund, to remove from the base the Oracle license funding that is now alternatively provided within the data network rate.

Language

Item [Operations and Technology Division] includes increases of \$1,044,768 of general fund in fiscal 2002 and of \$1,070,319 of general fund in fiscal 2003 and reductions of \$1,037,443 of state special revenue in fiscal 2002 and \$1,055,626 of state special revenue in fiscal 2003 that are contingent upon passage and approval of HB 124.

Item [Operations and Technology Division] includes a reduction of general fund of \$158,038 in fiscal 2002 and \$158,038 in fiscal 2003. This reduction is the equivalent of a 15 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Operations and Technology Division] includes a reduction of \$542,660 general fund in fiscal 2002, and \$544,550 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

The department shall make every effort to achieve an unqualified opinion in the financial compliance audit issued by the Legislative Audit Division for the 2 years ending June 30, 2003. The legislature expects the department to take action to ensure that this achievement occurs, including exempting the fiscal bureau from vacancy savings requirements, exempting the fiscal bureau from reductions in staffing, establishing clear and appropriate fiscal policies and processes, and any other management actions that may reasonably be expected to result in the achievement of an unqualified audit opinion.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	607.20	20.00	0.50	627.70	20.00	0.50	627.70	627.70
Personal Services	21,426,688	157,540	73,549	21,657,777	279,755	73,813	21,780,256	43,438,033
Operating Expenses	5,067,882	535,182	0	5,603,064	677,357	0	5,745,239	11,348,303
Equipment	35,047	0	0	35,047	0	0	35,047	70,094
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	65,476,036	3,605,479	7,630,305	76,711,820	3,750,581	5,400,788	74,627,405	151,339,225
Transfers	0	0	0	0	0	0	0	0
Debt Service	55,797	0	0	55,797	0	0	55,797	111,594
Total Costs	\$92,061,450	\$4,298,201	\$7,703,854	\$104,063,505	\$4,707,693	\$5,474,601	\$102,243,744	\$206,307,249
General Fund	41,387,750	1,336,813	2,327,453	45,052,016	1,545,257	3,126,573	46,059,580	91,111,596
State/Other Special	97,368	(14)	0	97,354	(14)	0	97,354	194,708
Federal Special	50,576,332	2,961,402	5,376,401	58,914,135	3,162,450	2,348,028	56,086,810	115,000,945
Total Funds	\$92,061,450	\$4,298,201	\$7,703,854	\$104,063,505	\$4,707,693	\$5,474,601	\$102,243,744	\$206,307,249

Program Description

Disability Services Division assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. Disability Services Division is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for the state institutions in Glendive-the Eastmont Human Services Center, and Boulder-the Montana Developmental Center.

The Developmental Disabilities Planning and Advisory Council (DDPAC) is administratively attached.

Vocational rehabilitation serves individuals with orthopedic, mental, visual, hearing, brain, and other disabilities. Developmentally disabled include individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration. Statutory authority for the program is provided in Title 53, MCA, 29 U.S.C. 721 et. seq., 2 U.S.C. 75, 72 U.S.C. 1300, 42 CFR 441, and 34 CRF Part 303.

Program Narrative

The Disability Services Division (DSD) is responsible for three major program functions which are: 1) provision of services to developmentally disabled individuals; 2) provision of vocational rehabilitation services; and 3) administration of social security disability determinations. As illustrated in Table 29, community and institutional services for developmentally disabled individuals comprise 80 percent of the funding for the division. Vocational rehabilitation services and disability determination, combined with developmental disability program administration, comprise 11.7 percent and 4.4 percent of the funding for the division, respectively.

Table 29
Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2000				Fiscal 2002				Fiscal 2003				Percent of Division Total
	Gen. Fund	SSR	Federal	Total Funds	Gen. Fund	SSR	Federal	Total Funds	Gen. Fund	SSR	Federal	Total Funds	
Community Svcs - Dev. Disabled	\$22,754,563	\$45,228	\$35,445,478	\$58,245,269	\$25,905,377	\$45,214	\$42,905,899	\$68,856,490	\$26,743,886	\$45,214	\$39,686,495	\$66,475,595	65.0%
Institutional Svcs - Dev. Disabled	15,030,937	52,140	0	15,083,077	15,326,704	52,140	0	15,378,844	15,405,929	52,140	0	15,458,069	15.1%
Vocational Rehabilitation	2,911,446	0	8,073,740	10,985,186	3,090,555	0	8,563,597	11,654,152	3,178,454	0	8,776,722	11,955,176	11.7%
Vocational Rehabilitation - Admin	690,804	0	3,050,764	3,741,568	704,380	0	3,103,224	3,807,604	706,311	0	3,110,361	3,816,672	3.7%
Dev. Disabilities Admin, Disability Determination and DDPAC	0	0	4,006,350	4,006,350	0	0	4,341,415	4,341,415	0	0	4,513,232	4,513,232	4.4%
Donated Dental	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0.0%</u>
Total	<u>\$41,387,750</u>	<u>\$97,368</u>	<u>\$50,576,332</u>	<u>\$92,061,450</u>	<u>\$45,052,016</u>	<u>\$97,354</u>	<u>\$58,914,135</u>	<u>\$104,063,505</u>	<u>\$46,059,580</u>	<u>\$97,354</u>	<u>\$56,086,810</u>	<u>\$102,243,744</u>	<u>100.0%</u>
Percent of Total	45.0%	0.1%	54.9%	100.0%	43.3%	0.1%	56.6%	100.0%	45.0%	0.1%	54.9%	100.0%	

Sixty-five percent of the division's funding supports community services and 15.1 percent supports institutional services for developmentally disabled individuals. Table 30 summarizes the total costs, cost per person, and costs per day of care for Eastmont Human Services Center (EHSC) and the Montana Developmental Center (MDC), the two institutions administered by DSD. The average costs per person at EHSC increases 29.3 percent from \$80,090 to \$103,593 between fiscal 2000 and fiscal 2002 while the average cost per person at MDC increases from \$134,748 to \$144,100 or 6.9 percent during the same time period. The increase in the costs per person at EHSC is due primarily due to the fact that the population is declining at a more rapid rate than costs. Total annual costs for EHSC decline approximately \$300,000 between fiscal 2000 and fiscal 2002 while the population declines from 47 to 33 individuals.

Challenges and Priorities

The Disability Services Division faces significant programmatic challenges surrounding the design and provision of services to the developmentally disabled. Several significant factors are exerting sometimes-conflicting pressure in the developmental disabilities arena. Among the external factors impacting provision of services to the developmentally disabled are: 1) Travis D., a pending lawsuit filed by the Montana Advocacy Program (MAP); 2) the U.S. Supreme Court decision in the Olmstead v L.C. case; 3) the findings of a Health Care Financing Administration (HCFA) review of services provided under the Home and Community Based Services Waiver (HCBS); and 4) community provider staffing and wage issues.

As the legislature reviewed the budget for the Disability Services Division, Developmental Disabilities Programs, prioritization of funding focused on the following:

- ?? Direct care worker wages
- ?? Community providers and the availability and strengthening of the community placement infrastructure
- ?? Movement of individuals out of institutional settings
- ?? Needs of individuals on the waiting list
- ?? Compliance with the requirements of the US Supreme Court decision in the Olmstead case
- ?? Compliance with and changes necessitated by the findings of the HCFA review

To support achievement of the priorities outlined in the preceding paragraph, the legislature appropriated:

- ?? \$3.1 million general fund and \$3.0 million federal funds to support increases in wages of direct care workers employed by community providers
- ?? \$1.0 million general fund to be used by the division for provider rate increases, reductions in the waiting list, or other items consistent with the priorities identified in the preceding paragraph
- ?? \$2.8 million general fund to be used to support individuals in the institutions and for the purpose of movement of at least 32 individuals to community settings
- ?? \$4.0 federal funding in a biennial appropriation to support the efforts of the division to access additional federal funds

Table 30
Developmental Disabilities Division
Summary of Institutional Costs

	Fiscal 2000 Base	Fiscal 2002 Request	Fiscal 2003 Request
<u>Eastmont Human Services Center</u>			
FTE	97.43	97.43	97.43
Direct Care	\$1,232,783	\$1,599,207	\$1,616,183
Non Direct Care	2,524,798	1,812,685	1,826,832
MAP lawsuit	6,663	6,663	6,663
Total Costs*	<u>\$3,764,244</u>	<u>\$3,418,555</u>	<u>\$3,449,678</u>
Estimated Average Population	47	33	33
Annual Costs Per Person	\$80,090	\$103,593	\$104,536
Annual Days of Care	17,155	12,045	12,045
Average Costs Per Day of Care	\$219	\$284	\$286
Percent Increase		29.3%	0.9%
<u>Montana Developmental Center</u>			
FTE	296.6	316.6	316.6
MDC Direct Care	\$40,478	\$1,419,983	\$1,420,156
MDC Non Direct Care	11,278,355	10,540,349	10,588,278
Total Costs*	<u>\$11,318,833</u>	<u>\$11,960,332</u>	<u>\$12,139,758</u>
Estimated Average Population	84	83	83
Annual Costs Per Person	\$134,748	\$144,100	\$146,262
Annual Days of Care	30,660	30,295	30,295
Average Costs Per Day of Care	\$369	\$395	\$401
Percent Increase		6.9%	1.5%
*Notes:			
Does not include \$44,719 expended for equipment that was one-time-only appropriation nor debt service costs of \$965,496 per year.			

?? flexibility for the division to utilize funding to pursue refinancing efforts and system changes implementing the priorities outlined in the preceding paragraph

Benefits

Table 31 summarizes the benefits budgeted for the DSD and shows that Medicaid related services for developmentally disabled individuals increase from \$33.6 million to \$44.2 million in fiscal 2002 and \$41.8 million in fiscal 2003. Fiscal 2002 funding is higher than fiscal 2003 because it includes a \$4.0 million biennial appropriation of additional federal funding, which may be expended in either year of the biennium. General fund support for Medicaid related services for developmentally disabled individuals increases from \$9.5 million in fiscal 2000 to \$12.3 and \$13.2 million in fiscal 2002 and 2003, respectively. The items comprising the increased general and federal funds for benefits for the developmentally disabled are listed in the preceding paragraph.

Vocational Rehabilitation benefits increase from \$5.2 million in fiscal 2000 to \$5.8 and \$6.1 million in fiscal 2002 and 2003, respectively. General fund support for Vocational Rehabilitation benefits increases approximately \$80,000 per year. The majority of the funding increase is in federal funds.

Table 31
Disability Services Division
Summary of Benefit and Grant Programs by Fund Source

Program	Fiscal 2000 Actual				Fiscal 2002 Appropriation				Fiscal 2003 Appropriation			
	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds
Benefits												
Vocational Rehabilitation	\$1,098,100	\$0	\$4,139,544	\$5,237,644	\$1,261,137	\$0	\$4,588,426	\$5,849,563	\$1,348,166	\$0	\$4,798,245	\$6,146,411
Visual Services (Medical)	85,738	0	0	85,738	85,738	0	0	85,738	85,738	0	0	85,738
Independent Living	14,447	0	208,366	222,813	20,697	0	208,366	229,063	19,365	0	209,698	229,063
Blind/Low Vision	566,242	0	2,092,172	2,658,414	566,242	0	2,092,172	2,658,414	566,242	0	2,092,172	2,658,414
Supported Employment	2,284	0	301,594	303,878	2,284	0	301,594	303,878	2,284	0	301,594	303,878
Indep. Living Part B	255,825	0	243,627	499,452	255,825	0	243,627	499,452	255,825	0	243,627	499,452
Migrant Worker	0	0	176,546	176,546	0	0	176,546	176,546	0	0	176,546	176,546
Extended Employment	809,281	0	0	809,281	809,281	0	0	809,281	809,281	0	0	809,281
Social Security Benefits	0	0	640,734	640,734	0	0	640,734	640,734	0	0	640,734	640,734
DD Medicaid	9,509,260	0	24,132,459	33,641,719	12,354,856	0	31,871,155	44,226,011	13,188,551	0	28,646,680	41,835,231
DD Part C	3,747,814	0	1,611,881	5,359,695	3,747,814	0	1,611,881	5,359,695	3,748,035	0	1,611,660	5,359,695
DD GF/Title XX	7,485,577	0	6,734,799	14,220,376	7,785,577	0	6,434,799	14,220,376	7,785,577	0	6,434,799	14,220,376
Targeted Case Managmt.	571,100	0	806,023	1,377,123	561,901	0	815,222	1,377,123	560,345	0	816,778	1,377,123
Disability Determination	0	0	74,157	74,157	0	0	82,480	82,480	0	0	91,997	91,997
DDPAC	0	0	168,466	168,466	0	0	168,466	168,466	0	0	168,466	168,466
Donated Dental	0	0	0	0	25,000	0	0	25,000	25,000	0	0	25,000
Total Benefits	<u>\$24,145,668</u>	<u>\$0</u>	<u>\$41,330,368</u>	<u>\$65,476,036</u>	<u>\$27,476,352</u>	<u>\$0</u>	<u>\$49,235,468</u>	<u>\$76,711,820</u>	<u>\$28,394,409</u>	<u>\$0</u>	<u>\$46,232,996</u>	<u>\$74,627,405</u>

Olmstead

In June 1999 the U.S. Supreme Court issued its decision in the Olmstead v. L.C. case. The Olmstead case was brought by two Georgia women whose disabilities included mental retardation and mental illness, and who lived in state run institutions at the time the suit was filed despite treatment professionals' determination that they could be appropriately served in a community setting. The plaintiffs asserted that continued institutionalization was a violation of their right under the Americans with Disabilities Act (ADA) to live in the most integrated setting appropriate. The U.S. Supreme Court responded to the fundamental question of whether it is discrimination to deny people with disabilities services in the most integrated setting appropriate. Based upon the Olmstead decision, states are required to provide community based services for persons with disabilities who would otherwise be entitled to institutional services when: 1) the state's treatment professionals determine that such placement is appropriate; 2) the affected persons do not oppose such treatments; and 3) the placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services. The court cautions that nothing in the ADA condones termination of institutional settings for persons unable to handle or benefit from community settings.

Under the ADA, states are obliged to make reasonable modifications in policies, practices, or procedures when the modifications are necessary to avoid discrimination on the basis of disability unless the public entity can demonstrate that making the modifications would fundamentally alter the nature of the service program or activity (28 CFR 35.130(b)(7)). The Supreme Court indicated that the test as to whether a modification entails fundamental alteration of a program takes into account three factors: 1) the cost of providing services to the individual in the most integrated setting appropriate; 2) the resources available to the state; and 3) how the provision of services affects the ability of the state to meet the needs of others with disabilities. The courts suggests that a state could establish compliance with the ADA if it demonstrates that it has: 1) a comprehensive, effectively working plan for placing qualified persons with disabilities in less restrictive settings; and 2) a waiting list that moves at a reasonable pace not controlled by the state's endeavors to keep its institutions fully populated.

A federal district court in Pennsylvania rejected the argument that the U.S. Supreme Court decision in Olmstead confers on institutionalized individuals the right to remain in a large, state operated facility. In Richard C. v. Houstons the federal district court confirmed that nothing in the Olmstead ruling precludes a state from closing or downsizing an institution or placing individual residents into the community. The ADA does not confer on individuals or parents and guardians the right to veto such actions.

The division is in the process of developing a plan for compliance with the requirements of the Olmstead decision. The division expects to have their Olmstead compliance plan written by June 2001.

HCFA Review

In September 2000, federal staff from the Denver regional office of HCFA completed a review of services provided to the developmentally disabled under the Home and Community Based Services (HCBS) Waiver administered by the DSD. The findings of the review included:

- ?? The provider selection process utilized to select waiver service providers violates freedom of choice for providers
- ?? HCFA officials observed situations that may compromise the health and welfare of clients
- ?? The waiver amendment for services the division refers to as "community supports" has not been approved by HCFA even though the division has begun providing and billing for services under this waiver amendment
- ?? Direction that the division should discontinue expansion of waiver services for adults. This restriction has been modified and waiver services for adults may be expanded, except at two provider sites where HCFA officials identified client health and welfare issues

HCFA officials issued a draft report of their findings in February 2001. The department's response to HCFA, dated March 23, 2001, indicates that the department concurs with the majority of the findings and recommendations of the HCFA review and provides information regarding the department's plan for corrective actions to be taken to achieve compliance with HCFA requirements. The department did not concur with findings that: 1) family members providing

respite services should have a signed provider agreement; 2) the community supports program was created without prior approval from HCFA; and 3) the state should amend Administrative Rules of Montana related to the use of chemical restraints (i.e. psychotropic drugs).

Table 32
Disability Services Division Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriations		Percent of Total
		Fiscal 2002	Fiscal 2003	
General Fund	\$41,387,750	\$45,052,016	\$46,059,580	45.0%
Percent of Total	45.0%	43.3%	45.0%	
State Special Revenue				
MDC Vocational	\$48,674	\$48,674	\$48,674	0.0%
DDP Conference	45,228	45,214	45,214	0.0%
Donated Funds - MDC	2,433	2,433	2,433	0.0%
Donations - Eastmont	1,033	1,033	1,033	0.0%
Subtotal State Special Revenue	\$97,368	\$97,354	\$97,354	0.1%
Percent of Total	0.1%	0.1%	0.1%	
Federal Funds				
Medicaid Benefits	\$24,870,545	\$32,617,584	\$29,394,665	28.7%
Rehab Section 110A	8,972,256	9,542,878	9,763,148	9.5%
Title XX - Social Services Block Grnt	6,725,243	6,434,799	6,434,799	6.3%
Disability Determination	3,604,777	3,953,523	4,124,693	4.0%
Cost Allocation	2,169,872	2,117,198	2,120,669	2.1%
Part H Early Intervention	1,611,832	1,611,881	1,611,660	1.6%
Social Security Trust Funds	640,743	640,734	640,734	0.6%
Mon Tech	500,778	500,659	500,659	0.5%
DDPAC Administration	401,573	411,000	411,749	0.4%
VI-C Supported Employment	301,594	301,594	301,594	0.3%
Independent Living	292,437	297,113	297,268	0.3%
Independent Living Older Blind	215,685	215,319	215,319	0.2%
Handicapped Migrant	176,546	176,546	176,546	0.2%
Medicaid Administration	67,986	68,842	68,842	0.1%
Inservice Training	24,465	24,465	24,465	0.0%
Subtotal Federal Funds	\$50,576,332	\$58,914,135	\$56,086,810	54.9%
Percent of Total	54.9%	56.6%	54.9%	
Total Funds	<u>\$92,061,450</u>	<u>\$104,063,505</u>	<u>\$102,243,744</u>	<u>100.0%</u>
Increase Above Base		13.0%	11.1%	
Annual Rate of Change from Base		6.3%	3.6%	

Funding

The Disability Services Division (DSD) is funded primarily with a combination of general fund and federal funds. General fund provides 45.0 percent of the division's funding and federal funds provide 54.9 percent of the division's funding (Table 32). A small amount of funding (less than \$100,000 annually) is also received from state special revenue sources. Sources of federal funds include:

- ?? Medicaid
- ?? Rehabilitation Grants
- ?? Title XX - Social Services Block Grant (SSBG)
- ?? The Social Security Disability Determination program
- ??

The Montana Development Center (MDC) and Eastmont Human Services Center (EHSC) are funded with general fund. Eligible services are billed to the Medicaid program and the Medicaid reimbursement received is deposited into the general fund.

Community services for the developmentally disabled are funded by a combination of general fund, state special revenue, and federal funds. Sources of federal funding for Developmentally Disabled Services include the Medicaid Home and Community Based Waiver (HCBS) and Title XX, Social Services

Block Grant. Funding for Title XX has been declining. Montana has maintained Title XX funding for DSD at a consistent level by transferring \$1.3 million annually from TANF to Title XX.

Vocational Rehabilitation Services are funded with a combination of general fund and federal funds and Disability Determination Services are funded 100 percent with federal funds.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(318,105)					(195,493)
Vacancy Savings				(567,202)					(570,880)
Inflation/Deflation				40,261					37,168
Fixed Costs				11,956					14,025
Total Statewide Present Law Adjustments				(\$833,090)					(\$715,180)
DP 7 - EHSC Base Adjustment For Reduced Population									
0.00	44,408	0	0	44,408	0.00	57,190	0	0	57,190
DP 22 - DDS Base Adjustment									
0.00	0	0	265,038	265,038	0.00	0	0	425,886	425,886
DP 30 - Annualize/Provide For Tuition Increase									
0.00	57,154	0	211,178	268,332	0.00	86,034	0	317,883	403,917
DP 31 - Annualize Direct Care Wage Increase									
0.00	455,177	0	454,823	910,000	0.00	454,303	0	455,697	910,000
DP 33 - Annualize DSD Provider Rate Increase									
0.00	308,431	0	251,529	559,960	0.00	308,120	0	251,840	559,960
DP 45 - Movement From Institutions To Communities									
0.00	485,060	0	1,303,510	1,788,570	0.00	482,556	0	1,306,014	1,788,570
DP 46 - Annualize VR Caseload Increase									
0.00	14,440	0	53,354	67,794	0.00	14,440	0	53,354	67,794
DP 66 - Maximum Institutional Population Target									
20.00	1,400,277	0	0	1,400,277	20.00	1,400,224	0	0	1,400,224
DP 68 - Annualize DSD Base Year Increases									
0.00	31,976	0	78,831	110,807	0.00	27,093	0	67,395	94,488
DP 71 - Independent Living Older Blind Base									
0.00	6,250	0	0	6,250	0.00	6,250	0	0	6,250
DP 696 - Data Network Fixed Cost Reduction									
0.00	(664)	(14)	(1,267)	(1,945)	0.00	(664)	(14)	(1,267)	(1,945)
DP 698 - Rent Reduction - Use of Capital Lange Grant									
0.00	(2,512)	0	(6,211)	(8,723)	0.00	(2,521)	0	(6,233)	(8,754)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(196,730)	0	(82,747)	(279,477)	0.00	(197,619)	0	(83,088)	(280,707)
Total Other Present Law Adjustments									
20.00	\$2,603,267	(\$14)	\$2,528,038	\$5,131,291	20.00	\$2,635,406	(\$14)	\$2,787,481	\$5,422,873
Grand Total All Present Law Adjustments				\$4,298,201					\$4,707,693

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 7 - EHSC Base Adjustment For Reduced Population - The legislature approved \$101,598 general fund for the biennium for costs adjustments at Eastmont Human Services Center. Decreases in operational costs resulting from movement of 12 individuals from EHSC to community services are offset by increases for overtime, differential pay, and holidays worked.

DP 22 - DDS Base Adjustment - The legislature approved \$690,924 in federal funds for the biennium to fund a projected 10 percent increase in the level of services provided by the Disability Determination Services Program. These funds will cover costs associated with staff overtime, a contract to provide on-the-job training for two individuals with developmental disabilities, increased need for medical consultants, rental of additional office space, and an increase in reimbursement costs for claimants required to travel to examinations.

DP 30 - Annualize/Provide For Tuition Increase - The legislature approved \$143,188 general fund and \$529,061 federal funds for the biennium to annualize funding of the fiscal 2001 4.0 percent increase in tuition costs approved by the 1999 legislature and to fund an anticipated increase of 4.0 percent in tuition costs for each year of the 2003 biennium.

DP 31 - Annualize Direct Care Wage Increase - The legislature approved \$909,480 general fund and \$910,520 federal funds for the biennium to annualize the direct care salary increase authorized by the 1999 legislature into the fiscal 2003 biennium budget.

DP 33 - Annualize DSD Provider Rate Increase - The legislature approved \$616,551 in general fund and \$503,369 federal funds for the biennium to annualize the cost of the 1.0 percent rate increase authorized by the 1999 legislature into the 2003 biennium budget for providers of vocational rehabilitation (VR) and developmental disability (DDP) services.

DP 45 - Movement From Institutions To Communities - The legislature approved \$967,616 general fund and \$2,609,524 federal funds for the biennium to continue funding services for the 32 individuals that were placed into community services from the Montana Developmental Center and Eastmont Human Services Center during the 2001 biennium.

DP 46 - Annualize VR Caseload Increase - The legislature approved \$28,880 general fund and \$106,708 federal funds for the biennium to continue funding for client benefits and administrative costs that were authorized by the 1999 legislature. The fiscal 2000 base does not include a full year of costs because the two counselor positions were not filled until midway through the year and projected caseload increases will increase benefit costs.

DP 66 - Maximum Institutional Population Target - The legislature approved \$2.8 million general fund for the biennium to fund services for the developmentally disabled. The department is to move 32 individuals from institutional settings to community settings during the 2003 biennium and the population of individuals served in institutional settings at the end of the 2003 biennium is to be no more than 88 individuals. This is a one-time-only appropriation.

DP 68 - Annualize DSD Base Year Increases - The legislature approved \$59,069 general fund and \$146,226 federal funds for the biennium to fund increased rent costs and moving expenses for the field offices.

DP 71 - Independent Living Older Blind Base - The legislature approved \$12,500 general fund for the biennium to cover the state match needed for the Independent Living Older Blind grant. The federal fiscal 2000 grant award of \$205,000 requires general fund match of 10.9 percent. The purpose of this grant is to assist elderly who are blind or visually impaired with services or adaptive equipment necessary to assist them in continuing to live in their homes.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capital Land Grant - The legislature approved using the Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	Fiscal 2002					Fiscal 2003				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 112 - DDP Federal Authority										
10	0.00	0	0	4,000,000	4,000,000	0.00	0	0	0	0
DP 113 - DDS Workload increase										
10	2.00	0	0	79,201	79,201	2.00	0	0	79,481	79,481
DP 119 - DD Provider Wage Parity										
10	0.00	777,101	0	748,637	1,525,738	0.00	2,321,216	0	2,248,904	4,570,120
DP 128 - VR Provider Rate Increase										
10	0.00	56,792	0	100,712	157,504	0.00	114,941	0	203,826	318,767
DP 604 - Developmental Disability Program Funding										
10	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 605 - General Fund Decrease - Revised Federal Match Rate										
10	0.00	(60,000)	0	0	(60,000)	0.00	(213,000)	0	0	(213,000)
DP 606 - Donated Dental Services										
10	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
DP 623 - Shift Funding to Child Support Enforcement										
10	0.00	(40,000)	0	0	(40,000)	0.00	(40,000)	0	0	(40,000)
DP 624 - Funding Shift - General Fund/Title XX										
10	0.00	300,000	0	(300,000)	0	0.00	300,000	0	(300,000)	0
DP 626 - Direct Care Worker Wage Parity - Additional										
10	0.00	774,212	0	747,851	1,522,063	0.00	75,119	0	68,375	143,494
DP 627 - Direct Care Worker Wage Parity - Additional FY03										
10	0.00	0	0	0	0	0.00	48,965	0	47,442	96,407
DP 689 - FTE Reduction										
10	(1.50)	(5,652)	0	0	(5,652)	(1.50)	(5,668)	0	0	(5,668)
Total	0.50	\$2,327,453	\$0	\$5,376,401	\$7,703,854	0.50	\$3,126,573	\$0	\$2,348,028	\$5,474,601

New Proposals

DP 112 - DDP Federal Authority - The legislature approved \$4.0 million federal funds as a biennial appropriation, so that the Developmental Disabilities Program (DDP) may pursue additional federal revenue.

DP 113 - DDS Workload Increase - The legislature approved \$158,682 federal funds for the biennium to fund an additional 2.0 FTE disability claims managers in the Disability Determination Services Program. These positions would be used to process a projected increase in workload of 1,000 cases each year of the 2003 biennium.

DP 119 - DD Provider Wage Parity - The legislature approved approximately \$3.1 million general fund and \$3.0 million federal funds to increase wages and benefits for direct service staff working in private nonprofit corporations. This represents an increase of 4.6 percent in fiscal 2002 and an additional 9.3 percent increase in fiscal 2003.

DP 128 - VR Provider Rate Increase - The legislature approved \$171,733 general fund and \$304,538 federal funds for the biennium to fund a 2.7 percent per year provider rate increase for providers of vocational rehabilitation services.

DP 604 - Developmental Disability Program Funding - The legislature approved additional funding of \$500,000 general fund each year of the biennium. The legislature approved the department plan to use this funding to: 1) provide a 1.0 percent provider rate increase in the first year of the biennium; 2) offset a base reduction for a change in the Medicaid matching rate; and 3) reduce the developmental disabilities program waiting list by approximately 11 individuals.

DP 605 - General Fund Decrease - Revised Federal Match Rate - The legislature reduced general fund in the Developmental Disabilities Program by \$273,000 for the biennium to reflect an increase in the federal medical participation rate (FMAP) and corresponding decrease in general fund match requirements.

DP 606 - Donated Dental Services - The legislature approved \$50,000 general fund for the biennium to continue support for the donated dental service program.

DP 623 - Shift Funding to Child Support Enforcement - The legislature approved a plan submitted by the department that shifts general fund from various divisions to the Child Support Enforcement Division to partially reinstate a reduction in FTE approved by the legislature.

DP 624 - Funding Shift - General Fund/Title XX - The legislature approved shifting \$300,000 per year general fund from the Senior and Long Term Care Division to the Disability Services Division and shifting \$300,000 per year federal Title XX funds from the Disabilities Services Division to the Senior and Long Term Care Division.

DP 626 - Direct Care Worker Wage Parity - Additional - The legislature provided an additional \$849,331 general fund and \$816,226 federal matching funds, to the Disability Services Division to increase funding for direct care workers employed by community providers of services to the developmentally disabled. The legislature obtained the additional general fund provided to the Disability Services Division by removing funding for implementation of elimination of the Medicaid asset test.

DP 627 - Direct Care Worker Wage Parity - Additional FY03 - The legislature increased the fiscal 2003 funding for increased wages to direct care workers of community providers of services to developmentally disabled individuals by \$48,965 general fund and \$47,442 federal funds.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

The Developmental Disability Program is directed to use existing general fund appropriations within the developmental disabilities program budget to refinance services, if possible. General fund money made available through refinancing efforts may be used to:

1. reduce the Developmental Disability Program waiting list;
2. improve wages paid by community providers to direct care workers;
3. fund a provider rate increase to community services providers; and
4. fund existing plans of care for individuals waiting for residential services.

The developmental disabilities program will report to the Legislative Fiscal Division semiannually in January and July:

1. the amount of general fund money that was made available through refinancing efforts;
2. the amount, scope, and nature of services provided by funds made available through refinancing;
3. the number of consumers, providers, and direct care worker staff benefiting from initiatives funded through refinancing efforts; and
4. the amount of additional state special and federal funds obtained through refinancing efforts.

Item [Disability Services Division] includes \$3,996,613 general fund and \$3,861,208 in federal funds to begin equalization of wages paid to direct care workers employed by developmental disability community providers with direct care worker wages paid to employees at Eastmont Human Services Center and the Montana Developmental Center.

The Disability Services Division shall complete a report on the impact that applying income criteria to determine eligibility for Developmental Disabilities Program services and benefits would have on individuals, the waiting list for services, and the budget for the Developmental Disabilities Program. The report must be presented to the Legislative Finance Committee by June 30, 2002. The report to the Legislative Finance Committee should include by age group (0-3, 4-5, 6-18, 18-21, and over 21 years of age) and by residential setting (recipient home, group home, institution, etc.):

1. the number of nonmedicaid-eligible recipients and the value of services, by funding source, provided to individuals and families with income at or below 200 percent of the federal poverty level; and
2. the number of nonmedicaid-eligible recipients and the value of services, by funding source, provided to individuals and families with income at or below 150 percent of the federal poverty level.

The fiscal 003 funds in item [Disability Services Division] may not be expended until the report has been presented to the Legislative Finance Committee.

Included in item [Movement from Institutions to Community Settings (maximum institutional population target)] is general fund of \$1,400,277 in fiscal 2002 and \$1,400,224 in fiscal 2003. This funding is one time only. The combined population at the two institutions (Eastmont Human Services Center and Montana Developmental Center) may not exceed 88 individuals at the end of the 2003 biennium. If the Disability Services Division has a population of more than 88 individuals at the two institutions at the end of the 2003 biennium, the division shall certify that a community residential setting was not available for the individuals remaining in the two institutions.

The department shall distribute funds in item [Direct Care Worker Wage Parity] in a way that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. Not all providers or types of direct care workers must receive the same rate increase for the biennium. Funds appropriated in item [Direct Care Worker Wage Parity] may be used only for direct care worker wage increases. Funds in item [Direct Care Worker Wage Parity] may not be used to fund other programs. In the event that the department finds it necessary to institute program reductions, it is the intent of the legislature that funds in item [Direct Care Worker Wage Parity] be the last eliminated.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	160.04	9.00	2.50	171.54	18.00	4.50	182.54	182.54
Personal Services	5,481,572	268,677	94,884	5,845,133	546,222	161,952	6,189,746	12,034,879
Operating Expenses	2,745,808	1,525,046	162,802	4,433,656	1,596,247	142,452	4,484,507	8,918,163
Equipment	39,141	27,983	12,500	79,624	27,983	7,500	74,624	154,248
Grants	6,243,240	(651,323)	808,534	6,400,451	(651,323)	775,657	6,367,574	12,768,025
Benefits & Claims	145,636,617	9,224,876	22,402,512	177,264,005	10,566,757	31,628,080	187,831,454	365,095,459
Transfers	0	0	0	0	0	0	0	0
Debt Service	4,403	0	0	4,403	0	0	4,403	8,806
Total Costs	\$160,150,781	\$10,395,259	\$23,481,232	\$194,027,272	\$12,085,886	\$32,715,641	\$204,952,308	\$398,979,580
General Fund	41,427,657	2,042,613	967,455	44,437,725	2,187,486	2,598,616	46,213,759	90,651,484
State/Other Special	2,790,322	208,868	4,779,034	7,778,224	395,639	5,743,356	8,929,317	16,707,541
Federal Special	115,932,802	8,143,778	17,734,743	141,811,323	9,502,761	24,373,669	149,809,232	291,620,555
Total Funds	\$160,150,781	\$10,395,259	\$23,481,232	\$194,027,272	\$12,085,886	\$32,715,641	\$204,952,308	\$398,979,580

Program Description

The Senior and Long-Term Care Division plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs. 1) The Office on Aging oversees contracts with Area Agencies on Aging to provide meals, transportation, public education, information and assistance, and other services. 2) The Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid eligible individuals as an alternative to nursing home care. 3) The Medicaid Nursing Facility Program pays for care to Medicaid eligible individuals in Montana's 98 nursing homes. 4) Skilled nursing facility care is provided to veterans at the 90-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home (EMVH) in Glendive. 5) The State Supplemental Payments Program pays for a portion of the room and board costs for individuals eligible for supplemental security income payments and residing in designated residential care facilities. 6) The Adult Protective Services Program investigates abuse and neglect of the elderly and disabled and provides some support benefits.

Biennium Budget Comparison

The Program Legislative Budget, Present Law Adjustment, and New Proposal tables all measure changes in the 2003 biennium appropriation compared to fiscal 2000 base budget expenditures. However, a significant proportion of the present law adjustments for benefits and personal services costs in this program are related to incremental changes between fiscal 2000 actual costs and fiscal 2001 appropriation increases. The fiscal 2001 appropriation, which is not reflected in the Program Legislative Budget table, supports provider rates increases, growth in Medicaid caseloads, expansion of the Medicaid funded community waiver services, and increases in adult protective services benefits.

Table 33 compares the 2003 biennium appropriation to the actual expenditures and appropriation for the 2001 biennium. Table 33 does not include the 2003 biennium pay plan appropriation. The biennium-to-biennium increase is \$67 million, which is \$11 million lower than the difference of the 2003 biennium appropriation compared only to the fiscal 2000 base budget (\$78 million).

Table 33
2001 Biennium Compared to 2003 Biennium*
Senior and Long-Term Care Division

Budget Item/Fund	2001 Biennium	2003 Biennium	Change	Percent of Total
FTE**	130.54	182.54	52.00	
Personal Services	\$11,109,866	\$12,034,879	\$925,013	1.4%
Operating	6,335,654	8,918,163	2,582,509	3.8%
Equipment	92,728	154,248	61,520	0.1%
Grants	11,985,988	12,768,025	782,037	1.2%
Benefits/Claims	302,102,557	365,095,459	62,992,902	93.5%
Debt Service	7,097	8,806	1,709	0.0%
Total Costs	<u>\$331,633,890</u>	<u>\$398,979,580</u>	<u>\$67,345,690</u>	<u>100.0%</u>
General Fund	\$85,430,125	\$90,651,484	\$5,221,359	7.8%
State Special	5,625,195	16,707,541	11,082,346	16.5%
Federal Funds	<u>240,578,570</u>	<u>291,620,555</u>	<u>51,041,985</u>	<u>75.8%</u>
Total Funds	<u>\$331,633,890</u>	<u>\$398,979,580</u>	<u>\$67,345,690</u>	<u>100.0%</u>
Percent Increase			20%	

*The pay plan appropriation for the 2003 biennium is not included.

**2001 biennium FTE are the number funded for fiscal 2001.

Benefit cost increases account for 94 percent of the expansion between the 2001 and 2003 biennia due to caseload growth, annualization of fiscal 2001 provider rate increases, a new Medicaid intergovernmental transfer program for nursing homes, and provider rate and direct care worker wage increases funded in the 2003 biennium. Operating costs rise 4 percent and grants increase a net of 1 percent largely due to a reallocation of \$0.9 million from grant expenditures in the fiscal 2001 biennium to operating costs in the 2003 biennium. Personal services increase 1 percent, due mostly to the addition of a 15-bed special care unit at MVH.

The 2003 biennium increase is funded primarily with federal funds (\$51 million or 76 percent of the total increase). State special revenue rises \$11 million from the 2001 to the 2003 biennium and general fund grows \$5 million.

The remaining 2003 biennium appropriation narrative is based on amounts included in tables that compare the 2003 biennium request to the fiscal 2000

base. As noted previously, \$11 million of the increase between the 2000 base budget and the 2003 biennium budget is due to continuation of fiscal 2001 increases appropriated by the 1999 legislature. Present law adjustments include the incremental increases between fiscal 2000 expenditures and the fiscal 2001 appropriation as well as anticipated changes during the 2003 biennium.

Program Narrative

The 2003 biennium division budget is \$78 million, including \$8 million general fund, higher than the fiscal 2000 base expenditure level. Present law adjustments add \$22 million over the biennium and new proposals add \$56 million.

The reduction in the state match rate for Medicaid benefit costs from fiscal 2000 through fiscal 2003 offsets general fund increases of \$3 million over the 2003 biennium. The total general fund cost of individual present law adjustments is \$3 million higher than reflected in the Program Legislative Budget table because the decrease in the state matching rate was included as a funding adjustment to the adjusted base budget rather than as a present law adjustment for legislative consideration.

Significant Budget Changes

The most significant adjustments approved by the legislature include:

- ?? \$25 million, including \$6.6 million general fund, for Medicaid service caseload and annualization of 2001 biennium provider rate increases to continue current level services
- ?? \$19 million, including \$3.5 million general fund and \$1.7 million state special revenue from interest on the tobacco settlement trust fund, for 2003 biennium direct care worker wage and provider rate increases
- ?? \$19 million for a Medicaid intergovernmental transfer program for county funded nursing homes
- ?? \$11 million for one-time payments for Medicaid nursing services, funded with intergovernmental transfer revenue
- ?? \$2.3 million total funds (\$0.6 million general fund) and 0.5 FTE to expand the Medicaid Community Based Waiver
- ?? \$2 million in federal authority to expand or refinance services funded with state funds
- ?? \$1.5 million federal funds for an increase in the Older Americans Act grant
- ?? \$1.5 million total funds, including \$0.6 million in state special revenue from tobacco taxes, and 18 FTE in fiscal 2003 for a new special care unit, equipment and operating costs for the Montana veterans' homes

- ?? \$1 million, including \$0.3 million of state special revenue from Medicaid lien and estate recoveries, for improvements in nursing home and community services
- ?? \$0.4 million total funds, including \$0.3 million of state special revenue from Medicaid lien and estate recoveries, and 4.0 FTE in fiscal 2003 for adult protective services and social workers and guardianship services
- ?? A funding shift which reduced general fund by \$0.6 million and increased federal Social Services Block Grant funds for adult protective services
- ??

Funding

The Senior and Long-Term Care Division is funded primarily by federal funds - about 73 percent for the 2003 biennium. General fund declines from 26 percent of base budget funding to 22.5 percent of the fiscal 2003 legislative appropriation. State special revenue increases from 1.7 percent of fiscal 2000 costs to 4 percent of the fiscal 2003 appropriation.

Table 34
Senior and Long-Term Care Division Funding

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$41,427,657	\$44,437,725	\$46,213,759	22.5%
Percent of Total Funds	25.9%	22.9%	22.5%	
State Special Revenue				
Intergovernmental Transfer	\$0	\$3,699,460	\$4,272,090	2.1%
Private Ins./Medicaid Reimb.	1,842,743	2,036,178	2,169,635	1.1%
Cigarette Tax Revenue	947,579	1,000,008	1,054,440	0.5%
Tobacco Interest Constitutional Trust	0	703,779	1,015,108	0.5%
Over \$600,000 Lien/Estate	0	323,799	403,044	0.2%
Lien/Estate Recovery	0	10,000	10,000	0.0%
Vets - Interest/Income Lease	0	5,000	5,000	0.0%
Subtotal State Special Revenue	\$2,790,322	\$7,778,224	\$8,929,317	4.4%
Percent of Total Funds	1.7%	4.0%	4.4%	
Federal Funds				
Medicaid Benefits	\$107,587,171	\$131,890,134	\$139,878,249	68.2%
Aging Meals	2,395,708	2,520,100	2,520,545	1.2%
Aging Supplement and Training	1,491,560	2,350,876	2,312,453	1.1%
Vets V-A Reimbursement	1,366,762	1,450,318	1,583,148	0.8%
Medicaid Administration	998,884	1,183,708	1,186,902	0.6%
EMVH V-A Reimbursement	875,075	1,073,009	1,073,009	0.5%
Elderly Feeding	621,641	649,639	649,639	0.3%
Social Services Block Grant	0	300,000	300,000	0.1%
Vets Domiciliary Care	159,491	191,459	191,898	0.1%
Health Info. Counseling	106,650	167,094	168,884	0.1%
Preventive Health	78,806	80,398	80,398	0.0%
Ombudsman Activity	34,146	42,237	42,237	0.0%
Elder Abuse	10,066	23,660	23,660	0.0%
NAPIS Training - 100%	1,966	(82,474)	(43,374)	0.0%
Alzheimer's Demonstration	192,125	(18,560)	(148,060)	-0.1%
Frail Elderly	12,751	(10,275)	(10,356)	0.0%
Subtotal Federal Funds	\$115,932,802	\$141,811,323	\$149,809,232	73.1%
Percent of Total Funds	72.4%	73.1%	73.1%	
Total Funds	\$160,150,781	\$194,027,272	\$204,952,308	100.0%
Increase Above Base		21.2%	28.0%	
Annual Rate of Change from Base		10.07%	8.57%	

General fund pays the state match for Medicaid eligible costs, the majority of protective services for adult and disabled persons, and a portion of aging services administrative and benefits costs.

The largest source of state special revenue - county funds for Medicaid intergovernmental transfer payments to nursing homes - is a new state special revenue source. Under the program, counties can transfer the matching funds to DPHHS to draw down federal Medicaid revenue to increase nursing home rates to the maximum allowable federal limit. If all counties participate and contribute the maximum allowable match of about \$2.4 million, an additional \$6.4 million of federal Medicaid matching funds can be drawn down each year of the biennium. The state will pay the entire \$11 million and counties will retain the county matching funds of \$2.4 million with an additional \$2.4 million in matching funds and return the balance of revenue to the state. The transfer revenue remitted by counties to the state is appropriated to fund additional Medicaid reimbursement increases for nursing homes and health care related provider rate increases. The legislature appropriated \$2 million of the intergovernmental transfer revenue from

county nursing homes each year of the biennium in the mental health Medicaid services administered by the Addictive and Mental Disorders Division.

Private and insurance reimbursements and cigarette tax revenue (11.11 percent of total tax) support the two veterans' homes. There are three new state special revenue funding sources included in the 2003 biennium appropriation: 1) county intergovernmental transfer funds as previously noted; 2) lien and estate revenue collections; and 3) interest from

the tobacco tax settlement trust fund, which was approved by voters in the November 2000 election. Lien and estate revenue supports new adult protective services FTE and guardianship services, while the tobacco trust fund interest income pays part of the state Medicaid match for provider rate increases. Lien and estate recoveries have been appropriated to the Senior and Long-Term Care Division in the two previous biennia in language appropriations to support one-time improvements in Medicaid services and have not been included in base budget costs.

Appropriation by Function and Major Service

Table 35 shows the fiscal 2000 base budget compared to the legislative appropriation by division function and major service. The fiscal 2003 appropriation rises at an annual rate of almost 9 percent above base budget expenditures.

Table 35
Senior and Long-Term Care Division Base Budget Expenditures and 2003 Beinnium Appropriation by Major Function and Benefit

Function and Benefits and Grants	Fiscal 2000 Base Budget				Fiscal 2002 Legislative Appropriation				Fiscal 2003 Legislative Appropriation				Percent of Total
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	
Division Administration	\$210,697	\$111,684	\$114,891	\$437,272	\$222,566	\$119,858	\$124,075	\$466,499	\$226,101	\$120,814	\$126,776	\$473,691	0.2%
Medicaid Services	37,853,981	0	108,450,157	146,304,138	40,639,891	4,607,955	132,824,377	178,072,223	42,283,877	5,492,192	140,809,343	188,585,412	92.0%
Aging Services	1,896,886	0	4,921,835	6,818,721	2,274,400	10,000	5,697,601	7,982,001	2,397,435	10,000	5,570,736	7,978,171	3.9%
Veterans' Homes	0	2,678,638	2,401,328	5,079,966	0	2,879,332	2,714,786	5,594,118	0	3,065,147	2,848,055	5,913,202	2.9%
Adult Protective Svcs	<u>1,466,093</u>	<u>0</u>	<u>44,591</u>	<u>1,510,684</u>	<u>1,300,868</u>	<u>161,079</u>	<u>450,484</u>	<u>1,912,431</u>	<u>1,306,346</u>	<u>241,164</u>	<u>454,322</u>	<u>2,001,832</u>	<u>1.0%</u>
Total Division	<u>\$41,427,657</u>	<u>\$2,790,322</u>	<u>\$115,932,802</u>	<u>\$160,150,781</u>	<u>\$44,437,725</u>	<u>\$7,778,224</u>	<u>\$141,811,323</u>	<u>\$194,027,272</u>	<u>\$46,213,759</u>	<u>\$8,929,317</u>	<u>\$149,809,232</u>	<u>\$204,952,308</u>	<u>100.0%</u>
Percent of Total	25.9%	1.7%	72.4%	100.0%	22.9%	4.0%	73.1%	100.0%	22.5%	4.4%	73.1%	100.0%	
Compounded Annual Rate of Change from Fiscal 2000 Base					3.6%	67.0%	10.6%	10.1%	3.7%	47.4%	8.9%	8.6%	
Benefits													
Medicaid													
Nursing Homes*	\$28,224,661	\$0	\$70,543,680	\$98,768,341	\$27,940,976	\$4,526,595	\$87,257,728	\$119,725,299	\$28,698,608	\$5,411,252	\$92,353,621	\$126,463,481	61.7%
Home Based Services	5,112,868	0	13,233,607	18,346,475	6,719,679	0	18,057,898	24,777,577	7,298,781	0	19,753,781	27,052,562	13.2%
Waiver Services	3,853,334	0	9,999,647	13,852,981	5,559,771	0	14,940,859	20,500,630	5,865,192	0	15,873,846	21,739,038	10.6%
Institutions	0	0	13,849,204	13,849,204	0	0	11,188,837	11,188,837	0	0	11,449,343	11,449,343	5.6%
State Supplement	803,000	0	0	803,000	878,953	0	0	878,953	934,321	0	0	934,321	0.5%
Protective Services	<u>16,616</u>	<u>0</u>	<u>0</u>	<u>16,616</u>	<u>192,709</u>	<u>0</u>	<u>0</u>	<u>192,709</u>	<u>192,709</u>	<u>0</u>	<u>0</u>	<u>192,709</u>	<u>0.1%</u>
Subtotal Benefits	<u>\$38,010,479</u>	<u>\$0</u>	<u>\$107,626,138</u>	<u>\$145,636,617</u>	<u>\$41,292,088</u>	<u>\$4,526,595</u>	<u>\$131,445,322</u>	<u>\$177,264,005</u>	<u>\$42,989,612</u>	<u>\$5,411,252</u>	<u>\$139,430,590</u>	<u>\$187,831,454</u>	<u>91.6%</u>
Percent of Total	26.1%	0.0%	73.9%	100.0%	23.3%	2.6%	74.2%	100.0%	22.9%	2.9%	74.2%	100.0%	
Compounded Annual Rate of Change from Fiscal 2000 Base					4.2%	n/a	10.5%	10.3%	4.2%	n/a	9.0%	8.9%	
Grants													
Aging Grants	\$978,962	\$0	\$4,389,203	\$5,368,165	\$1,262,110	\$0	\$5,088,341	\$6,350,451	\$1,319,633	\$0	\$4,997,941	\$6,317,574	3.1%
Protective Services	0	0	0	0	0	50,000	0	50,000	0	50,000	0	50,000	0.0%
Veterans Services	<u>0</u>	<u>0</u>	<u>875,075</u>	<u>875,075</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Subtotal Grants	<u>\$978,962</u>	<u>\$0</u>	<u>\$5,264,278</u>	<u>\$6,243,240</u>	<u>\$1,262,110</u>	<u>\$50,000</u>	<u>\$5,088,341</u>	<u>\$6,400,451</u>	<u>\$1,319,633</u>	<u>\$50,000</u>	<u>\$4,997,941</u>	<u>\$6,367,574</u>	<u>3.1%</u>
Percent of Total	15.7%	0.0%	84.3%	100.0%	19.7%	0.8%	79.5%	100.0%	20.7%	0.8%	78.5%	100.0%	
Compounded Annual Rate of Change from Fiscal 2000 Base					13.5%	n/a	-1.7%	1.3%	10.5%	n/a	-1.7%	0.7%	

*Nursing home benefit expenditures and appropriation include a contract for nurse aide testing of \$350,000 annually.

Medicaid Services are the largest component of the budget comprising 92 percent of the division fiscal 2003 request. Individually the remaining division functions comprise less than 5 percent of the total appropriation in fiscal 2003.

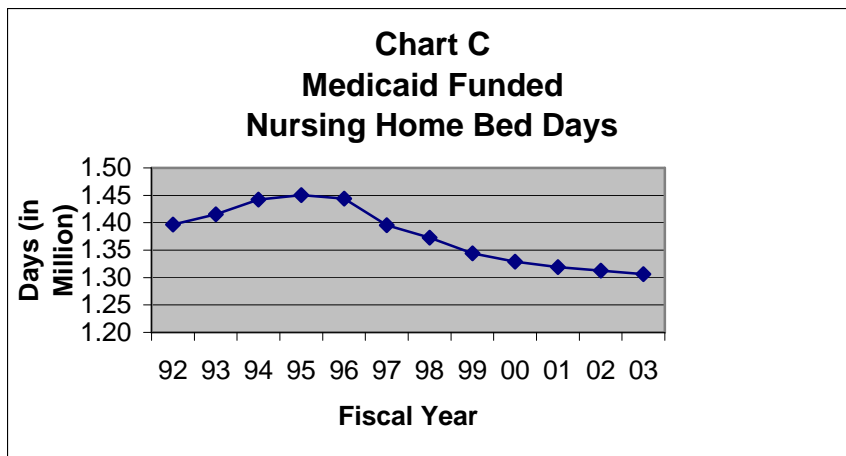
Benefits or payments for services to individuals and grants to local entities are the most significant appropriations for the division. Benefit payments comprise 92 percent of the fiscal 2003 appropriation while grants are 3 percent.

Appropriations for Medicaid benefits (payments to Medicaid providers) are 91 percent of the fiscal 2003 appropriation, leaving 1 percent to cover Medicaid administrative costs. The single largest division expenditure is for nursing homes services, accounting for 62 percent of the total fiscal 2003 budget. The appropriation for nursing home services increases largely due to annualization of fiscal 2001 provider rate increases and the 2003 biennium provider rate increases and intergovernmental transfer program. The program appropriation would have declined from fiscal 2000 base budget expenditures without rate increases, since the number of days of care is estimated to continue declining.

Home based Medicaid services are 13 percent of the fiscal 2003 appropriations, while Medicaid waiver services account for 11 percent. The legislature approved an expansion of the Medicaid waiver services and funding for a 0.5 FTE. The expansion is estimated to provide services to another 125 persons.

Aging grants account for 3 percent of the total fiscal 2003 appropriation. Federal grant funds from the Older Americans Act increase and include a new family care giver support program.

State supplement payments and adult protective services each comprise less than 1 percent of the fiscal 2003 appropriation. Federal pass-through funds for operation of the EMVH were appropriated as operating costs in the 2003 biennium rather than as grant expenditures in the fiscal 2000 base budget.



Nursing Home Services

The legislature implemented several significant reimbursement policies for nursing home services during the 2003 biennium. Additionally, the appropriation for nursing home services was based on the assumption that the days of care would continue to decline. Chart C shows the actual total number of days of care or bed days paid for by the Medicaid program since fiscal year 1992, a few years before bed days began to decline, compared to the estimated trend for the 2001 and 2003 biennia.

Table 36 shows the average Medicaid daily rate, ongoing rate increases, the estimated number of days of care and the one-time payments that could result from the intergovernmental transfer program for county nursing homes. Estimated costs for fiscal 1999 through fiscal 2003 are shown.

Table 36
Estimated Nursing Home Medicaid Rate, Bed Days, and Annual Rate of Change
Fiscal 1999 Through 2003

Medicaid Rate, Bed Days, % Change Legis. Appropriation	Estimated FY99	Estimated FY00	Estimated FY01	Appropriation FY02	FY03
<u>Ongoing Medicaid Rate</u>					
Medicaid Rate*	\$71.68	\$74.26	\$77.30	\$77.30	\$77.30
2003 Biennium Rate Increase				3.53	7.28
Total Average Daily Rate for 2003 Biennium**				\$80.83	\$84.58
Bed Days	1,344,142	1,332,723	1,302,835	1,302,681	1,298,747
Annual Change	-2.1%	-0.8%	-2.2%	0.0%	-0.3%
Compounded Rate of Change		-0.8%	-1.5%	-1.0%	-0.9%
<u>One-Time Payments due to Intergovernmental Transfer Program - Daily Rate Increase***</u>					
New Funds County Affiliated Facilities			\$8.50	\$10.68	\$12.69
Non-county Affiliated Facilities			4.14	5.02	6.07
<u>Total Possible Daily Rate Increase from Ongoing and One-Time Payments</u>					
County Affiliated Nursing Homes			\$8.50	\$14.21	\$19.97
Non-county Nursing Homes			4.14	8.55	13.35

*The Medicaid rate does not include the portion of costs that are paid by nursing home residents, which is estimated to be about \$20.00 per day in the 2001 biennium.

**The total average daily rate for the 2003 biennium is the estimated rate that will be ongoing.

***The one-time payments from the county nursing home intergovernmental transfer program will not necessarily continue in following biennia. The program is subject to federal rule and county participation levels.

The legislature approved three separate appropriations that will increase the rates paid to nursing homes: 1) a provider rate increase estimated to increase average daily rates by at least 4.5 percent annually; 2) an intergovernmental transfer program for county funded nursing homes; and 3) one-time payments to nursing homes using intergovernmental transfer revenue. The average increase that will be granted to all nursing homes is estimated to be \$3.53 per day in fiscal 2002 and \$7.28 per day in fiscal 2003. This rate increase will be ongoing.

Based on the estimated average daily rate and the appropriation, it is estimated that 1.3 million days of care can be funded each year of the biennium. Days of care are expected to remain constant from fiscal 2001 to fiscal 2002 and to decline by 0.3 percent from fiscal 2002 to 2003. During appropriation committee hearings, the legislature based appropriation amounts on an

estimated decline of 0.5 percent annually in the number of bed days from fiscal 2001 through fiscal 2003 and on a daily rate in fiscal 2001 that was \$0.52 lower than that shown in Table 36. However, estimates of nursing home costs in fiscal 2001 revised after the session adjourned coupled with appropriated amounts will fund fewer days of care than anticipated during session and at a higher cost.

The amount of ongoing rate increase shown in Table 36 is not reflective of the increase individual nursing homes will receive. It is an average of the total amount appropriated for rate increases based on the number of days of estimated service.

Rate increases for individual nursing homes will vary due to changes in reimbursement methodology and the intergovernmental transfer program. The 4.5 percent provider rate increase proposal accepted by the legislature changes nursing home reimbursement from a cost-based system to a price based system, where differences in rates are based on patient acuity rather than facility costs. The department began the transition to a price based system in fiscal 2001, so there is more variation in rates paid to nursing homes than will exist once the price system is fully implemented.

The legislature approved the executive request to implement a Medicaid intergovernmental transfer program for county affiliated nursing homes. The program will allow county nursing homes to leverage federal Medicaid funds to increase Medicaid reimbursement levels.

The intergovernmental transfer program may result in one-time payments to nursing homes since its continuation is subject to federal rule, county participation and legislative re-authorization. However, during the 2003 biennium if all county funded nursing homes participate to the maximum extent possible, the intergovernmental transfer program is estimate to generate one-time daily rate increases of nearly \$13 on average in fiscal 2003 for county affiliated nursing homes and an average of slightly more than \$6 per day on average for non-county affiliated nursing homes. The legislature and department anticipated during legislative deliberations that the reimbursement to county funded nursing

homes participating in the intergovernmental transfer program would result in higher rates for county facilities compared to non-county facilities.

Table 37
Actual and Appropriated Montana Veterans' Home Costs

Montana Veterans' Home	Fiscal 2000 Base	Fiscal 2002 Appropriation	Fiscal 2003 Appropriation
FTE	94.29	103.29	112.29
Direct Care Staff	\$2,609,258	\$2,955,578	\$3,270,777
Non-direct Care Staff	<u>1,511,168</u>	<u>1,447,875</u>	<u>1,451,054</u>
Total Cost/Appropriation	<u>\$4,120,426</u>	<u>\$4,403,453</u>	<u>\$4,721,831</u>
Average Daily Population	107	114	122
Annual Costs Per Person	\$38,509	\$38,763	\$38,704
Annual Days of Care	39,055	41,464	44,530
Average Cost Per Day of Care	\$106	\$106	\$106
Percent Increase		0.7%	-0.2%

It is not possible to calculate a meaningful average daily cost for the Eastern Montana Veterans' Home because the appropriation in HB 2 supports only part of the facility cost. Private and insurance payments for the EMVH are paid directly to the facility. Only the federal Veteran's Administration pass through funds are appropriated in HB 2.

Montana Veterans' Home

Table 37 shows the base expenditures and 2003 biennium appropriation for the MVH. The average daily population, number of staff and annual operating costs are expected to increase from fiscal 2000 through fiscal 2003 due to the addition of a 15-bed special care unit. The average daily cost declines between fiscal 2000 and fiscal 2003 since the estimated daily population increases.

It is not possible to estimate a meaningful average daily cost for EMVH because only pass through federal funds are appropriated for the facility in HB 2. Other operating revenues including private, insurance and Medicaid payments are received directly by the facility.

The following two tables show all adjustments approved by the legislature for this division. Each adjustment is discussed in more detail in

the following sub-program narratives: Medicaid Services; Veterans' Services; Aging Services; Division Administration; and Adult Protective Services.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				211,867						242,885
Vacancy Savings				(152,643)						(153,574)
Inflation/Deflation				9,840						10,104
Fixed Costs				2,078						3,226
Total Statewide Present Law Adjustments				\$71,142						\$102,641
DP 24 - MVH Operating Expense Adjustments	0.00	0	12,002	0	12,002	0.00	0	12,002	0	12,002
DP 25 - MVH Special Care Unit	9.00	0	207,352	129,222	336,574	18.00	0	347,475	295,460	642,935
DP 34 - Home Based Caseload	0.00	1,428,735	0	3,839,463	5,268,198	0.00	1,783,841	0	4,827,874	6,611,715
DP 35 - Aging Provider Rate and Direct Care Increases	0.00	223,752	0	0	223,752	0.00	223,752	0	0	223,752
DP 36 - Nursing Home Caseload Increase	0.00	580,131	0	1,677,580	2,257,711	0.00	434,726	0	1,505,475	1,940,201
DP 37 - Waiver Caseload	0.00	1,210,451	0	3,252,862	4,463,313	0.00	1,204,202	0	3,259,111	4,463,313
DP 77 - Adult Protective Services Emergency Support	0.00	75,887	0	100,206	176,093	0.00	75,404	0	100,689	176,093
DP 81 - State Supplemental Caseload Increase	0.00	95,968	0	0	95,968	0.00	161,256	0	0	161,256
DP 116 - MVH Equipment	0.00	0	16,918	0	16,918	0.00	0	16,918	0	16,918
DP 141 - EMVH Operating Expenses and Equipment	0.00	0	11,065	197,934	208,999	0.00	0	11,065	197,934	208,999
DP 145 - Leased Cars For APS Field Staff	0.00	3,589	0	111	3,700	0.00	3,589	0	111	3,700
DP 146 - Medicaid Field Staff Office Rent Costs	0.00	2,806	0	2,806	5,612	0.00	4,532	0	4,532	9,064
DP 148 - Institutions	0.00	0	0	(2,660,367)	(2,660,367)	0.00	0	0	(2,399,861)	(2,399,861)
DP 696 - Data Network Fixed Cost Reduction	0.00	(52)	(28)	(28)	(108)	0.00	(52)	(28)	(28)	(108)
DP 698 - Rent Reduction - Use of Capitol Land Grant	0.00	(2,302)	(634)	(3,170)	(6,106)	0.00	(2,310)	(636)	(3,182)	(6,128)
DP 699 - Vacancy Savings at 4 Percent	0.00	(25,877)	(41,996)	(10,269)	(78,142)	0.00	(27,142)	(43,114)	(10,350)	(80,606)
Total Other Present Law Adjustments				\$10,324,117						\$11,983,245
Grand Total All Present Law Adjustments				\$10,395,259						\$12,085,886

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 115 - Guardianship, APS Staff, Prevention and Education										
22	2.00	0	171,079	4,000	175,079	4.00	0	251,164	7,170	258,334
DP 120 - Personal Assistance Direct Care Wage Increase										
22	0.00	401,931	0	1,080,114	1,482,045	0.00	638,676	0	1,728,544	2,367,220
DP 121 - Nursing Home Rate Stabilization										
22	0.00	544,641	703,779	3,354,898	4,603,318	0.00	1,537,430	1,015,108	6,908,317	9,460,855
DP 129 - Provider Rate Increases										
22	0.00	141,917	0	221,761	363,678	0.00	284,730	0	454,173	738,903
DP 140 - Waiver Expansion										
22	0.50	185,966	0	475,777	661,743	0.50	444,780	0	1,181,525	1,626,305
DP 142 - Intergovernmental Transfer - County Nursing Homes										
22	0.00	0	2,391,456	6,426,597	8,818,053	0.00	0	2,690,204	7,280,900	9,971,104
DP 147 - Federal Spending Authority										
22	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 222 - Older Americans Act Grant Increase										
22	0.00	0	0	806,440	806,440	0.00	0	0	676,940	676,940
DP 402 - One Time Payments to Nursing Homes										
22	0.00	0	1,350,000	3,627,876	4,977,876	0.00	0	1,625,000	4,397,980	6,022,980
DP 407 - Title XX Funding Shift										
22	0.00	(300,000)	0	300,000	0	0.00	(300,000)	0	300,000	0
DP 411 - Nursing Home and Community Services Improvements										
22	0.00	0	162,720	437,280	600,000	0.00	0	161,880	438,120	600,000
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
22	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
Total	2.50	\$967,455	\$4,779,034	\$17,734,743	\$23,481,232	4.50	\$2,598,616	\$5,743,356	\$24,373,669	\$32,715,641

New Proposals

New proposals are appropriations for new or expanded services above the cost of providing the level of service authorized by the previous legislature. Changes in funding for services are usually considered new proposals as well. Each new proposal will be discussed in the following sub-program narratives that correspond to major division functions. Some new proposals, such as provider rate increases, affect more than one sub-program.

Medicaid Services

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	17.25	0.00	0.50	17.75	0.00	0.50	17.75	17.75
Personal Services	741,306	9,556	19,805	770,667	12,853	19,868	774,027	1,544,694
Operating Expenses	739,407	338,382	22,500	1,100,289	338,630	22,500	1,100,537	2,200,826
Equipment	0	0	2,500	2,500	0	0	0	2,500
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	144,823,425	8,972,830	22,402,512	176,198,767	10,259,343	31,628,080	186,710,848	362,909,615
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$146,304,138	\$9,320,768	\$22,447,317	\$178,072,223	\$10,610,826	\$31,670,448	\$188,585,412	\$366,657,635
General Fund	37,853,981	1,570,851	1,215,059	40,639,891	1,641,199	2,788,697	42,283,877	82,923,768
State/Other Special	0	0	4,607,955	4,607,955	0	5,492,192	5,492,192	10,100,147
Federal Special	108,450,157	7,749,917	16,624,303	132,824,377	8,969,627	23,389,559	140,809,343	273,633,720
Total Funds	\$146,304,138	\$9,320,768	\$22,447,317	\$178,072,223	\$10,610,826	\$31,670,448	\$188,585,412	\$366,657,635

Medicaid Services includes reimbursements for Medicaid eligible services provided by state institutions and three types of health services administered through contracts with local providers - nursing home services, home-based entitlement services, and community services limited by a waiver of federal Medicaid regulations. The present law adjustment for each of these services is due to increases in the number of persons eligible for services and annualization of fiscal 2001 rate increases and service expansions approved by the 1999 legislature.

New proposals include funds for provider rate increases and personal assistance worker wage increases as well as expansion of the Medicaid community based waiver services. The legislature also appropriated funds for a Medicaid intergovernmental transfer program for county funded nursing homes and used some of the revenue generated from the intergovernmental transfer for one-time payments to nursing homes based on the number of Medicaid services provided.

Medicaid Services is funded with general fund, state special revenue from the interest on the tobacco settlement trust fund and Medicaid lien and estate recoveries, and federal Medicaid matching funds. Medicaid Services comprise 92 percent of the Senior and Long-Term Care Division 2003 biennium appropriation. Table 35 compares Medicaid Services and individual Medicaid benefit appropriations to the total division appropriation.

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				40,952						44,386
Vacancy Savings				(21,450)						(21,553)
Inflation/Deflation				235						483
Fixed Costs				(17,878)						(17,878)
Total Statewide Present Law Adjustments				\$1,859						\$5,438
DP 34 - Home Based Caseload	0.00	1,428,735	0	3,839,463	5,268,198	0.00	1,783,841	0	4,827,874	6,611,715
DP 36 - Nursing Home Caseload Increase	0.00	580,131	0	1,677,580	2,257,711	0.00	434,726	0	1,505,475	1,940,201
DP 37 - Waiver Caseload	0.00	1,210,451	0	3,252,862	4,463,313	0.00	1,204,202	0	3,259,111	4,463,313
DP 148 - Institutions	0.00	0	0	(2,660,367)	(2,660,367)	0.00	0	0	(2,399,861)	(2,399,861)
DP 699 - Vacancy Savings at 4 Percent	0.00	(4,973)	0	(4,973)	(9,946)	0.00	(4,990)	0	(4,990)	(9,980)
Total Other Present Law Adjustments						0.00	\$3,417,779	\$0	\$7,187,609	\$10,605,388
Grand Total All Present Law Adjustments					\$9,320,768					\$10,610,826

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 34 - Home Based Caseload - The legislature approved \$12 million over the biennium, including \$3.2 million general fund, for the Medicaid Home Health, Personal Assistance, and Hospice entitlement programs, to adjust for projected caseload growth and 1 percent provider rate and 3 percent direct care wage increases approved by the 1999 legislature and to continue a utilization review and prior authorization contract for personal assistance services. Caseload growth of about 5 percent per year is projected for the coming biennium.

DP 36 - Nursing Home Caseload Increase - The legislature appropriated \$4 million for the biennium, including \$1 million general fund, for the Medicaid nursing home program to adjust for federal match rate changes, projected caseload growth, and to annualize the 1 percent provider rate increase and 3 percent direct care wage increase approved in fiscal 2001. The legislature adopted caseload estimates based on a continuing decline in the number of Medicaid funded nursing bed days, expecting a 0.5 percent annual reduction from fiscal 2001 through fiscal 2003.

DP 37 - Waiver Caseload - The legislature added \$9 million for the biennium, including \$2 million general fund, to adjust for Medicaid match rate changes, and fund the fiscal 2001 provider rate increase, direct care wage increase, and expanded services to persons from the waiting list that were appropriated to the Medicaid Community Waiver program for fiscal 2001. In fiscal 2001, consistent with the direction of the Olmstead Supreme Court decision, the division developed services for 28 additional nursing home residents on the waiver waiting list through a transfer of \$0.5 million in savings from the Medicaid home health program.

DP 148 - Institutions - The legislature approved the executive request to reduce federal funds by \$5 million over the biennium due to an accounting error, which overstates base budget expenditures. The institutional appropriation for the 2003 biennium is about \$11 million per year in federal funds. It pays the federal share of projected Medicaid nursing home services reimbursement to the Montana Developmental Center, Eastmont Human Services Center and the Montana Veterans' Home. The required state matching funds are paid from each facility's appropriation.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 120 - Personal Assistance Direct Care Wage Increase										
01	0.00	401,931	0	1,080,114	1,482,045	0.00	638,676	0	1,728,544	2,367,220
DP 121 - Nursing Home Rate Stabilization										
01	0.00	544,641	703,779	3,354,898	4,603,318	0.00	1,537,430	1,015,108	6,908,317	9,460,855
DP 129 - Provider Rate Increases										
01	0.00	82,521	0	221,761	304,282	0.00	167,811	0	454,173	621,984
DP 140 - Waiver Expansion										
01	0.50	185,966	0	475,777	661,743	0.50	444,780	0	1,181,525	1,626,305
DP 142 - Intergovernmental Transfer - County Nursing Homes										
01	0.00	0	2,391,456	6,426,597	8,818,053	0.00	0	2,690,204	7,280,900	9,971,104
DP 147 - Federal Spending Authority										
01	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 402 - One-Time Payments to Nursing Homes										
01	0.00	0	1,350,000	3,627,876	4,977,876	0.00	0	1,625,000	4,397,980	6,022,980
DP 411 - Nursing Home and Community Services Improvements										
01	0.00	0	162,720	437,280	600,000	0.00	0	161,880	438,120	600,000
Total	0.50	\$1,215,059	\$4,607,955	\$16,624,303	\$22,447,317	0.50	\$2,788,697	\$5,492,192	\$23,389,559	\$31,670,448

New Proposals

DP 120 - Personal Assistance Direct Care Wage - The legislature appropriated a total of \$3.2 million for the biennium, including \$0.9 million in general fund, to provide a 25 cent per hour wage increase to personal care attendants working in the Medicaid Waiver and Personal Assistance programs. The legislature added \$380,000 general fund and matching federal funds above the executive request, deriving the \$200,000 of the general fund increase from other savings within DPHHS.

The appropriation is estimated to provide wage increases on average of \$0.45 to \$0.50 per hour during fiscal 2002 with an additional increase of \$0.25 per hour in fiscal 2003. This appropriation also includes a wage increase for the 18.33 percent of waiver expenditures that pay for personal care attendant services that are not available under the regular Personal Assistance program.

DP 121 - Nursing Home Rate Stabilization - The legislature added \$14 million for the biennium, including \$2.1 million general fund and \$1.7 million state special revenue of tobacco settlement trust fund income, to provide a minimum 4.5 percent annual rate increase for nursing homes over the 2003 biennium. The legislature approved less funding for nursing home caseloads during the 2003 biennium, but did not lower the amount of the executive request for nursing home rate increases. The appropriation will also be used to: 1) introduce stability in the nursing home rate; and 2) allow DPHHS to transition to a price-based system, where rate differentials among facilities are based on patient acuity.

The current nursing home payment methodology allows significant variability in rates, both among facilities and from one year to the next. The executive began implementing a price-based reimbursement system for Medicaid funded nursing homes in fiscal 2001 by establishing a median rate for nursing home reimbursement and basing rate changes for individual nursing homes in relation to the median price.

DP 129 - Provider Rate Increases - The legislature appropriated \$1.2 million for the biennium, including \$0.5 million in general fund, to provide a 1.5 percent annual rate increase for Medicaid, Waiver, Home Health and Hospice, and the aging services programs, excluding Medicaid personal assistance services. The rate increase for personal care assistants is appropriated in new proposal 120. A portion of this rate increase is allocated to Medicaid programs (\$0.9 million total funds over the biennium) and a portion is allocated to aging programs (\$0.2 million general fund over the biennium).

DP 140 - Waiver Expansion - The legislature added \$2.3 million for the biennium, including \$0.6 million general fund, to provide Medicaid Waiver services to an additional 125 people, bring the estimated total to be served to 1,385 in fiscal 2003. The Medicaid Waiver provides payment for a variety of community services, including assisted living, to persons eligible for Medicaid reimbursed nursing facility care. Because this program is not a Medicaid entitlement, there are about 260 eligible people on a waiting list for services. The proposed expansion will enable the division to address increasing demand, target the people most at risk of placement in nursing facilities and manage the growth of the community-based option. This appropriation also funds a 0.5 FTE field staff position to handle increasing caseload.

DP 142 - Intergovernmental Transfer - County Nursing Homes - The legislature appropriated \$19 million total funds over the biennium for an intergovernmental transfer program for county nursing homes. Counties provide the matching funds to draw down federal Medicaid funds to reimburse Medicaid nursing services at the highest payment limit allowed by federal rule. The state will return the county matching funds and an equal amount of federal Medicaid revenue. The balance of the Medicaid revenue (potentially as high as \$11 million over the biennium) will be used to support Medicaid services and provider rate increases for health care services (see DP 402).

DP 147 - Federal Spending Authority - The legislature added \$2 million federal funds over the biennium that is unrelated to a specific funding source. The funds could be used for a variety of activities, such as federal Medicaid matching authority to offset part of the cost of services that are funded fully from state sources or for a new federal grant. The legislature added language to HB 2 specifying that the division could spend the additional federal authority as long as it did not commit the state to additional general fund expenditures beyond the amount appropriated for the 2003 biennium by the legislature to the division.

DP 402 – One-Time Payments to Nursing Homes - The legislature allocated a portion of the intergovernmental transfer payment revenue (see DP 142) to fund one-time payments to nursing homes based on the number of Medicaid days of nursing care services.

DP 411 - Nursing Home and Community Services - The legislature appropriated \$1.2 million total funds, including \$0.3 million lien and estate state special revenue, for one-time improvements in nursing care and community waiver services. In previous biennia, the legislature has made such appropriations through language in HB 2.

Language

Items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include but are not limited to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

The department shall distribute funds in item [personal assistance wage increases] in a way that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. Not all providers or types of direct care workers must receive the same rate increase for the biennium. Funds appropriated in items [personal assistance wage increases] may be used only for direct care worker wage increases. Funds in items [personal assistance wage increases] may not be used to fund other programs. In the event that the department finds it necessary to institute program reductions, it is the intent of the legislature that funds in items [personal assistance wage increases] be the last item eliminated.

The Senior and Long-Term Care Division is authorized to pursue up to \$2 million in federal special revenue in item [federal authority] over the biennium to enhance or improve division services or programs. This additional federal special

revenue may be expended by the division on services as long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated for the 2003 biennium by the legislature to the division in [this act].

Funds in item [one-time payments to nursing homes] may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in item [one-time payments to nursing homes] may be expended only after the Office of Budget and Program Planning has certified that the department has received \$2 million each year from counties participating in the intergovernmental transfer program for nursing homes.

Veterans' Services

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	95.29	9.00	0.00	104.29	18.00	0.00	113.29	113.29
Personal Services	2,806,816	224,157	0	3,030,973	488,002	0	3,294,818	6,325,791
Operating Expenses	1,356,236	1,137,087	0	2,493,323	1,192,326	0	2,548,562	5,041,885
Equipment	39,141	27,983	0	67,124	27,983	0	67,124	134,248
Grants	875,075	(875,075)	0	0	(875,075)	0	0	0
Debt Service	2,698	0	0	2,698	0	0	2,698	5,396
Total Costs	\$5,079,966	\$514,152	\$0	\$5,594,118	\$833,236	\$0	\$5,913,202	\$11,507,320
State/Other Special	2,678,638	200,694	0	2,879,332	386,509	0	3,065,147	5,944,479
Federal Special	2,401,328	313,458	0	2,714,786	446,727	0	2,848,055	5,562,841
Total Funds	\$5,079,966	\$514,152	\$0	\$5,594,118	\$833,236	\$0	\$5,913,202	\$11,507,320

Veterans' Services accounts for about 3 percent of the total division budget and includes the two veterans' homes. The 2003 biennium appropriation increases are due primarily present law adjustments for a new 15-bed special care unit and other operating and equipment costs. There are no new proposals for Veterans' Services

The homes are funded with a combination of private payments, state special cigarette tax revenue, and federal funds from the Veterans' Administration. Veterans' Services receive 11.11 percent of cigarette tax revenue (Section 16-11-119(1), MCA). In addition to appropriations for operating costs for the veterans' homes in HB 2, building projects funded in the Long-Range Building program are also supported from cigarette taxes allocated to Veterans' Services. Table 35 compares Veterans' Services appropriations to the total division appropriation.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				51,975					67,473	
Vacancy Savings				(74,931)					(75,396)	
Inflation/Deflation				8,480					6,826	
Fixed Costs				(5,383)					(4,929)	
Total Statewide Present Law Adjustments				(\$19,859)					(\$6,026)	
DP 24 - MVH Operating Expense Adjustments	0.00	0	12,002	12,002	0.00	0	12,002	0	12,002	
DP 25 - MVH Special Care Unit	9.00	0	207,352	336,574	18.00	0	347,475	295,460	642,935	
DP 116 - MVH Equipment	0.00	0	16,918	16,918	0.00	0	16,918	0	16,918	
DP 141 - EMVH Operating Expenses and Equipment	0.00	0	11,065	208,999	0.00	0	11,065	197,934	208,999	
DP 699 - Vacancy Savings at 4 Percent	0.00	0	(40,482)	(40,482)	0.00	0	(41,592)	0	(41,592)	
Total Other Present Law Adjustments	9.00	\$0	\$206,855	\$534,011	18.00	\$0	\$345,868	\$493,394	\$839,262	
Grand Total All Present Law Adjustments				\$514,152					\$833,236	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 24 - MVH Operating Expense Adjustments - The legislature approved \$24,004 in state special revenue over the biennium for personal services costs and laundry and grounds maintenance expenses at the veterans' nursing homes.

DP 25 - MVH Special Care Unit - The 1999 legislature approved the construction of a 15-bed special care unit at the Montana Veterans' Home in Columbia Falls to provide services to residents with various forms of dementia. The facility is scheduled to begin operation in January of 2002. This appropriation funds the operating costs and staff for the new unit at a biennial cost of \$979,509, including 18 FTE and \$146,065 of cigarette tax state special revenue.

DP 116 - MVH Equipment - This legislature appropriated about \$34,000 state special revenue over the biennium to maintain funding for equipment for the Montana Veterans' Home. Equipment purchases include a whirlpool, electric beds, hydraulic bath chairs, an EKG machine, a sara lift, and a wheelchair accessible van. A private donation of \$17,500 is anticipated to pay for half of the cost of the wheelchair van.

DP 141 - EMVH Operating Expenses and Equipment - The legislature appropriated \$0.4 million over the biennium for operating costs and equipment at the Eastern Montana Veterans' Home. Federal funds support the majority of the increase. Anticipated equipment purchases include a whirlpool tub, electric beds, dining and activity tables, geri chairs, a sara lift, and replacement mattresses.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

AGING SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	8.71	0.00	0.00	8.71	0.00	0.00	8.71	8.71
Personal Services	400,204	(21,749)	0	378,455	(19,314)	0	380,890	759,345
Operating Expenses	247,352	9,488	117,302	374,142	19,832	78,202	345,386	719,528
Grants	5,368,165	223,752	758,534	6,350,451	223,752	725,657	6,317,574	12,668,025
Benefits & Claims	803,000	75,953	0	878,953	131,321	0	934,321	1,813,274
Total Costs	\$6,818,721	\$287,444	\$875,836	\$7,982,001	\$355,591	\$803,859	\$7,978,171	\$15,960,172
General Fund	1,896,886	318,118	59,396	2,274,400	383,630	116,919	2,397,435	4,671,835
State/Other Special	0	0	10,000	10,000	0	10,000	10,000	20,000
Federal Special	4,921,835	(30,674)	806,440	5,697,601	(28,039)	676,940	5,570,736	11,268,337
Total Funds	\$6,818,721	\$287,444	\$875,836	\$7,982,001	\$355,591	\$803,859	\$7,978,171	\$15,960,172

Aging Services administers funding from the Older Americans Act, which supports contracts with Area Agencies on Aging to provide meals, transportation, public education, information and assistance, and other services to older Montanans.

2003 biennium appropriations for Aging Services increases due to annualization of 2001 biennium provider rate increases, state supplement caseload growth, stipend increases and processing fee increases, 2003 biennium provider rate increases, and increases in federal Older Americans Act grant funds.

Aging Services is primarily funded with federal grant funds from the Older Americans Act and some federal Medicaid administrative matching funds. State special revenue is from Medicaid lien and estate recoveries and funds guardianship services for older adults at risk of abuse and neglect. General fund supports some of the required state match for federal funds and in recent biennia has funded provider rate increases since federal funds have been capped. Aging services comprise 4 percent of the total division budget. Table 35 compares Aging Services to the total division appropriation.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(5,980)					(3,443)
Vacancy Savings				(10,901)					(10,978)
Inflation/Deflation				(234)					190
Fixed Costs				(10,293)					(10,293)
Total Statewide Present Law Adjustments				(\$27,408)					(\$24,524)
DP 35 - Aging Provider Rate and Direct Care Increases	0.00	223,752	0	223,752	0.00	223,752	0	0	223,752
DP 81 - State Supplemental Caseload Increase	0.00	95,968	0	95,968	0.00	161,256	0	0	161,256
DP 699 - Vacancy Savings at 4 Percent	0.00	(1,217)	0	(4,868)	0.00	(1,223)	0	(3,670)	(4,893)
Total Other Present Law Adjustments	0.00	\$318,503	\$0	(\$3,651)	0.00	\$383,785	\$0	(\$3,670)	\$380,115
Grand Total All Present Law Adjustments				\$287,444					\$355,591

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions

on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 35 - Aging Provider Rate and Direct Care Increase - The legislature added \$0.4 million general fund for the biennium to annualize the fiscal 2001 direct care worker wage increase and provider rate increase authorized by the 1999 legislature for aging services programs.

DP 81 - State Supplemental Caseload Increase - The legislature appropriated \$257,224 general fund over the biennium for projected caseload growth in the state supplement program in fiscal years 2001 through 2003 and changes in contract administrative costs. The state supplement payment is a state funded payment that "supplements" the federal Supplemental Security Income (SSI) payments to low-income persons residing in certain licensed facilities, primarily developmental disability group homes. The average cost per month per recipient is \$83. In addition, the state contracts with the Social Security Administration to process and add the state supplement payment to appropriate social security checks at an estimated cost of \$8.50 per person per month in fiscal 2002 and \$9.00 in fiscal 2003.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Sub Prgm	Fiscal 2002					Fiscal 2003				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 115 - Guardianship, APS Staff, Prevention and Education										
03	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 129 - Provider Rate Increases										
03	0.00	59,396	0	0	59,396	0.00	116,919	0	0	116,919
DP 222 - Older Americans Act Grant Increase										
03	0.00	0	0	806,440	806,440	0.00	0	0	676,940	676,940
Total	0.00	\$59,396	\$10,000	\$806,440	\$875,836	0.00	\$116,919	\$10,000	\$676,940	\$803,859

New Proposals

DP 115 - Guardianship, APS Staff, Prevention and Education - The legislature appropriated \$0.4 million over the biennium, primarily from state special revenue from lien and estate proceeds, to fund guardianship services in the Aging program and new adult protective services staff. The legislature appropriated \$0.4 million and funded 4.0 FTE in the Adult Protective Services program and \$20,000 in contracted support for guardianship services in the Aging Program. FTE were reduced by 2.5 from the original executive proposal.

DP 129 - Provider Rate Increases - The legislature appropriated \$1.2 million for the biennium, including \$0.5 million in general fund, to provide a 1.5 percent annual rate increase for Medicaid, Waiver, Home Health and Hospice, and the aging services programs, excluding Medicaid personal assistance services. The rate increase for personal care assistants is appropriated in new proposal DP 120. A portion of this rate increase is allocated to Medicaid programs (\$0.9 million total funds over the biennium) and a portion is allocated to aging programs (\$0.2 general fund over the biennium).

DP 222 - Older Americans Act Grant Increase - The legislature appropriated \$1.6 million in federal authority over the biennium due to an increase in the federal Older Americans Act grant. The request includes increased funding for existing services such as senior centers, meals on wheels, and transportation. Funds are also included for a new Family Caregiver Support program to assist family caregivers by providing information about services, assistance with locating services, training, respite care, and other support services to assist them in caring for their relative. Existing state and local funds will be used to meet the state match requirement for the grant. The legislature added language to HB 2 to require that meals programs are funded prior to other priorities.

Language

The department shall require that Area Agencies on Aging provide a written assessment of the need for increased funding in their nutrition programs prior to expending the additional Title III of the Older Americans Act of 1965 grant funds appropriated in HB 2.

DIVISION ADMINISTRATION

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00	6.00
Personal Services	294,313	(1,042)	0	293,271	913	0	295,226	588,497
Operating Expenses	149,383	37,269	(7,000)	179,652	42,506	(7,000)	184,889	364,541
Benefits & Claims	(6,424)	0	0	(6,424)	0	0	(6,424)	(12,848)
Total Costs	\$437,272	\$36,227	(\$7,000)	\$466,499	\$43,419	(\$7,000)	\$473,691	\$940,190
General Fund	210,697	18,869	(7,000)	222,566	22,404	(7,000)	226,101	448,667
State/Other Special	111,684	8,174	0	119,858	9,130	0	120,814	240,672
Federal Special	114,891	9,184	0	124,075	11,885	0	126,776	250,851
Total Funds	\$437,272	\$36,227	(\$7,000)	\$466,499	\$43,419	(\$7,000)	\$473,691	\$940,190

Division administration oversees administration and management of the Senior and Long-Term Care Division. Division administrative costs are less than 1 percent of the total biennial budget request. Table 35 compares appropriations for Division Administration to the total division appropriation.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				11,178					13,215
Vacancy Savings				(8,528)					(8,589)
Inflation/Deflation				1,311					2,424
Fixed Costs				36,560					37,254
Total Statewide Present Law Adjustments				\$40,521					\$44,304
DP 146 - Medicaid Field Staff Office Rent Costs									
0.00	2,806	0	2,806	5,612	0.00	4,532	0	4,532	9,064
DP 696 - Data Network Fixed Cost Reduction									
0.00	(52)	(28)	(28)	(108)	0.00	(52)	(28)	(28)	(108)
DP 698 - Rent Reduction - Use of Capitol Land Grant Funds									
0.00	(2,302)	(634)	(3,170)	(6,106)	0.00	(2,310)	(636)	(3,182)	(6,128)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(1,107)	(1,514)	(1,071)	(3,692)	0.00	(1,114)	(1,522)	(1,077)	(3,713)
Total Other Present Law Adjustments									
0.00	(\$655)	(\$2,176)	(\$1,463)	(\$4,294)	0.00	\$1,056	(\$2,186)	\$245	(\$885)
Grand Total All Present Law Adjustments				\$36,227					\$43,419

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 146 - Medicaid Field Staff Office Rent Costs - The legislature approved the executive request for \$14,676 total funds (\$7,338 general fund), for anticipated increases in lease contracts for Medicaid Regional Program Officers located around the state. Current contracts reflect an annual increase of 15 percent for these offices. This request is funded from the general fund (50 percent) and from Medicaid administration funding (50 percent).

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by

the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant Funds- The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 623 - Shift Funding to Child Support Enforcement - DPHHS										
04	0.00	(7,000)	0	0	(7,000)	0.00	(7,000)	0	0	(7,000)
Total	0.00	(\$7,000)	\$0	\$0	(\$7,000)	0.00	(\$7,000)	\$0	\$0	(\$7,000)

New Proposals

DP 623 - Shift Funding to Child Support Enforcement - DPHHS - The legislature approved a plan submitted by the department that reallocates \$250,000 general fund from various divisions to the Child Support Enforcement Division. The general fund shift partially reinstates a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

Language

The department shall post on the Senior and Long-Term Care Division website the staffing levels provided in Montana nursing facilities.

ADULT PROTECTIVE SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	32.79	0.00	2.00	34.79	0.00	4.00	36.79	36.79
Personal Services	1,238,933	57,755	75,079	1,371,767	63,768	142,084	1,444,785	2,816,552
Operating Expenses	253,430	2,820	30,000	286,250	2,953	48,750	305,133	591,383
Equipment	0	0	10,000	10,000	0	7,500	7,500	17,500
Grants	0	0	50,000	50,000	0	50,000	50,000	100,000
Benefits & Claims	16,616	176,093	0	192,709	176,093	0	192,709	385,418
Debt Service	1,705	0	0	1,705	0	0	1,705	3,410
Total Costs	\$1,510,684	\$236,668	\$165,079	\$1,912,431	\$242,814	\$248,334	\$2,001,832	\$3,914,263
General Fund	1,466,093	134,775	(300,000)	1,300,868	140,253	(300,000)	1,306,346	2,607,214
State/Other Special	0	0	161,079	161,079	0	241,164	241,164	402,243
Federal Special	44,591	101,893	304,000	450,484	102,561	307,170	454,322	904,806
Total Funds	\$1,510,684	\$236,668	\$165,079	\$1,912,431	\$242,814	\$248,334	\$2,001,832	\$3,914,263

The program to provide protective services for adults age 60 or older and disabled individuals age 18 or older was transferred from the Child and Family Services Division to the Senior and Long-Term Care Division in fiscal 2000. The protective services function includes investigation of allegations of abuse and neglect. When allegations are substantiated, adult protective services workers assist victims of abuse and neglect to access services.

2003 biennium appropriation increases are due primarily to the addition of 4.0 new adult protective services FTE and annualization of protective services appropriation increases in fiscal 2001. 2003 biennium general fund appropriations show a net reduction from base budget expenditures due a funding shift, which moved \$300,000 general fund to the Disability Services Division with a corresponding transfer of \$300,000 of federal Title XX Block Grant funds.

The adult protective services function is funded predominately from the general fund. State special revenue includes Medicaid lien and estate recoveries. Federal funds include \$300,000 of federal Title XX grant each year and Medicaid matching funds. The protective services function is 1 percent of the division appropriation. Table 35 compares Adult Protective Services appropriations to the total division appropriation.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				113,742					121,254	
Vacancy Savings				(36,833)					(37,058)	
Inflation/Deflation				48					181	
Fixed Costs				(928)					(928)	
Total Statewide Present Law Adjustments				\$76,029					\$83,449	
DP 77 - Adult Protective Services Emergency Support										
0.00	75,887	0	100,206	176,093	0.00	75,404	0	100,689	176,093	
DP 145 - Leased Cars for APS Field Staff										
0.00	3,589	0	111	3,700	0.00	3,589	0	111	3,700	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(18,580)	0	(574)	(19,154)	0.00	(19,815)	0	(613)	(20,428)	
Total Other Present Law Adjustments										
0.00	\$60,896	\$0	\$99,743	\$160,639	0.00	\$59,178	\$0	\$100,187	\$159,365	
Grand Total All Present Law Adjustments				\$236,668					\$242,814	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 77 - Adult Protective Services Emergency Support - The legislature appropriated \$352,186, including \$151,291 general fund, for the biennium to raise the level of funding to the amount appropriated in fiscal 2001 for protective emergency and support services for adults at risk of abuse and neglect. The appropriation for fiscal 2000 was \$50,000 general fund and \$50,000 federal funds, which was increased to \$100,000 general fund and \$100,000 federal funds in fiscal 2001. Base expenditures were mostly from the general fund and totaled about \$27,000.

DP 145 - Leased Cars for APS Field Staff - The legislature appropriated \$7,400 to lease four vehicles from the Department of Transportation during the 2003 biennium. These vehicles will be used by field staff who currently use their personal vehicles in excess of 10,000 miles per year. This request is anticipated to reduce personal car mileage expenses by \$16,640 and increase lease expenses by \$20,340 each year for a net increase of \$3,700 per year. This request is funded from general fund (97 percent) and federal Medicaid funds (3 percent).

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 115 - Guardianship, APS Staff, Prevention and Education										
05	2.00	0	161,079	4,000	165,079	4.00	0	241,164	7,170	248,334
DP 407 - Title XX Funding Shift										
05	0.00	(300,000)	0	300,000	0	0.00	(300,000)	0	300,000	0
Total	2.00	(\$300,000)	\$161,079	\$304,000	\$165,079	4.00	(\$300,000)	\$241,164	\$307,170	\$248,334

New Proposals

DP 115 - Guardianship, APS Staff, Prevention and Education - The legislature appropriated \$0.4 million over the biennium, primarily from state special revenue from lien and estate proceeds, to fund guardianship services in the Aging program and new adult protective services staff. The legislature appropriated \$0.4 million and funded 4.0 FTE in the Adult Protective Services program and \$20,000 in contracted support for guardianship services in the Aging Program. The legislature reduced FTE by 2.5 from the original executive proposal.

DP 407 - Title XX Funding Shift - The legislature reallocated \$300,000 of the Title XX federal block grant from the Disabilities Services Division to the Adult Protective Services Program. An offsetting change was made to general fund. The funding reallocation was made since the Disability Services Division will be able to match the general fund with federal Medicaid funds.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	547.42	38.00	6.99	592.41	38.00	6.99	592.41	592.41
Personal Services	19,782,444	2,587,870	312,961	22,683,275	2,737,853	316,798	22,837,095	45,520,370
Operating Expenses	8,210,057	2,117,895	1,496,437	11,824,389	2,355,487	1,494,890	12,060,434	23,884,823
Equipment	181,417	0	0	181,417	0	0	181,417	362,834
Local Assistance	0	0	0	0	0	0	0	0
Grants	5,658,013	4,701,189	(904,934)	9,454,268	4,699,333	(1,234,894)	9,122,452	18,576,720
Benefits & Claims	61,401,623	21,987,883	6,316,102	89,705,608	25,591,717	9,822,465	96,815,805	186,521,413
Transfers	0	0	0	0	0	0	0	0
Debt Service	81,464	0	1,200	82,664	0	1,200	82,664	165,328
Total Costs	\$95,315,018	\$31,394,837	\$7,221,766	\$133,931,621	\$35,384,390	\$10,400,459	\$141,099,867	\$275,031,488
General Fund	46,684,220	5,359,603	(139,748)	51,904,075	6,778,034	378,994	53,841,248	105,745,323
State/Other Special	5,816,560	(2,302,242)	2,994,449	6,508,767	(2,190,469)	3,330,281	6,956,372	13,465,139
Federal Special	42,814,238	28,337,476	4,367,065	75,518,779	30,796,825	6,691,184	80,302,247	155,821,026
Total Funds	\$95,315,018	\$31,394,837	\$7,221,766	\$133,931,621	\$35,384,390	\$10,400,459	\$141,099,867	\$275,031,488

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention services, treatment and aftercare services, and mental health treatment services. Alcohol and drug inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state. Direct inpatient services are also provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) and provide services to individuals earning up to 150 percent of the federal poverty level. Montana State Hospital (MSH) at Warm Springs (190 beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (165 beds) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the MMHNCC are considered to be long term.

Biennium Comparison

The Legislative Budget, Present Law Adjustment and New Proposal tables all measure changes in the 2003 biennium appropriation compared to fiscal 2000 base budget expenditures. However, a proportion of the present law adjustments for benefits and personal services costs in this program are related to incremental changes between fiscal 2000 actual costs and the fiscal 2001 appropriation for provider rate increases and growth in Medicaid caseloads, as well as the 2001 biennium supplemental appropriation approved by the legislature.

Supplemental appropriations are not included in HB 2 or recognized in all instances as ongoing costs of state programs. The supplemental appropriation for AMDD was related to mental health services cost over-runs and although DPHHS made some service reductions and changes, those reductions did not fully offset ongoing costs in the Medicaid program and state hospital.

Table 38 compares the 2003 biennium appropriation to the actual expenditures and appropriation for the 2001 biennium with and without the supplemental appropriation. Table 38 does not include the 2003 biennium pay plan appropriation. The 2003 biennium appropriation is \$81 million higher than the 2001 biennium budget. However, when the supplemental appropriation for increased mental health services costs in fiscal 2001 is included, the biennial difference is reduced by more than half to \$37 million.

The 2003 biennium appropriation is \$81 million total funds, including \$16 million general fund, higher than the 2001 biennium expenditures and appropriations. Federal funds increase by \$76 million and state special revenue declines by \$11 million. General fund increases are related to Medicaid caseload growth, annualization of higher than budgeted population at the state hospital, and provider rate increases. Federal funds increase due to Medicaid caseload growth, the expansion of Medicaid services to include outpatient chemical dependency services, a Medicaid intergovernmental transfer program for chemical dependency services, and federal block grant funds for chemical dependency. Part of the federal increase and state special revenue decline is due to appropriating federal Medicaid reimbursements for state institution services in the federal fund type instead of state special revenue as expended by AMDD in the base budget. The institutional reimbursement change is partially offset by an increase in county state special revenue for a Medicaid intergovernmental transfer program for chemical dependency services.

Program Narrative

The 2003 biennium appropriation is \$84 million, including \$12 million general fund, higher than the fiscal 2000 base expenditure level. The increase is due largely to present law adjustments, which add \$67 million, while new proposals add \$18 million. The biennial amounts of the most significant adjustments are:

- ?? \$49 million total funds, including \$6 million general fund, for Medicaid caseload growth, expansion of Medicaid services, provide chemical dependency services, and legislative direction to implement a Medicaid intergovernmental transfer program for county funded chemical dependency services
- ?? \$10 million and 5.0 FTE for increases in federal block grants for chemical dependency services and needs assessment
- ?? \$6 million total funds, including \$3,000 general fund, for annualization of 2001 biennium caseload increases and pharmacy inflation in the MHSP program
- ?? \$5 million total funds, including \$1 million general fund and \$0.4 million state special revenue from the tobacco settlement trust interest income, for provider rate increases for mental health services
- ?? \$4 million general fund, including 27.0 FTE, for annualization of the net cost increases due to cost over-runs for higher than budgeted populations at the state hospital during the 2001 biennium and to continue cost control measures for high end community mental health services instituted during the 2001 biennium
- ?? \$2.4 million general fund and 2.0 FTE to develop community services and reduce the state hospital population
- ?? \$2.1 million total funds, including \$2 million general fund, for annualization of pay plan and funding for overtime, holiday, and shift differential pay at the mental health and chemical dependency state institutions
- ?? \$1.3 million general fund for basic in-home community services for children who are not eligible for the Children's Health Insurance Program but who are seriously emotionally disturbed with family incomes less than 150 percent of the federal poverty level (\$26,475 for a family of 4 in 2001)
- ?? \$1 million, including \$0.4 million general fund and 4.0 FTE, to develop the proposed regional mental health system
- ?? \$0.6 million total funds, including \$0.5 million general fund, for inflation in state institution pharmacy costs
- ?? \$0.4 million total funds, including \$0.3 million general fund and 4.0 FTE, to determine eligibility for MHSP

Table 38
2001 Biennium Compared to 2003 Biennium*
Addictive and Mental Disorders Division

Budget Item/Funding	2001 Biennium	2003 Biennium	Change	Percent of Total
FTE**	551.42	592.41	40.99	
Personal Services	\$40,216,920	\$45,520,370	\$5,303,450	6.5%
Operating	14,380,363	23,884,823	9,504,460	11.7%
Equipment	332,273	362,834	30,561	0.0%
Grants	11,729,944	18,576,720	6,846,776	8.5%
Benefits/Claims	127,168,958	186,521,413	59,352,455	73.3%
Debt Service	191,386	165,328	(26,058)	0.0%
Total Costs	<u>\$194,019,844</u>	<u>\$275,031,488</u>	<u>\$81,011,644</u>	100.0%
General Fund	\$89,251,888	\$105,745,323	\$16,493,435	20.4%
State Special	24,520,243	13,465,139	(11,055,104)	-13.6%
Federal Funds	<u>80,247,713</u>	<u>155,821,026</u>	<u>75,573,313</u>	<u>93.3%</u>
Total Funds	<u>\$194,019,844</u>	<u>\$275,031,488</u>	<u>\$81,011,644</u>	100.0%
Percent Increase			42%	
Total With Supplemental***				
HB 2 Total	\$194,019,844	\$275,031,488	\$81,011,644	
Supplemental General Fd	11,399,341	0	(11,399,341)	
Supplemental Fed Fd	<u>32,549,140</u>	<u>0</u>	<u>(32,549,140)</u>	
Total With Supplemental	<u>\$237,968,325</u>	<u>\$275,031,488</u>	<u>\$37,063,163</u>	
Percent Increase			16%	

*The pay plan appropriation for the 2003 biennium is not included.

**2001 biennium FTE is the number funded for fiscal 2001.

- ?? \$0.1 million general fund and 1.0 FTE to implement and provide training for law enforcement and other persons on dealing with persons who are mentally ill
- ?? \$0.5 million reduction in general fund for vacancy savings and a reduction of 1.01 FTE that had been vacant over seven months

The legislature also approved three significant funding switches that did not alter program expenditures. Two of the funding switches reduced general fund appropriations. The funding switches are:

- ?? A reduction of \$6.6 million state special revenue and an offsetting increase in federal Medicaid revenue to correctly account for reimbursements of Medicaid eligible expenditures at the state mental health institutions
- ?? A reduction of \$4 million general fund and a like increase in state special revenue from the Medicaid intergovernmental transfer program for county funded nursing homes
- ?? A reduction of \$1.3 million general fund and an offsetting increase in state special revenue alcohol tax to provide services to persons who are chemically dependent and who have a serious and disabling mental illness

Table 39
Addictive and Mental Disorders Division Funding Summary

Fund Source	Fiscal 2000 Actual	Legislative Appropriation Fiscal 2002	Fiscal 2003	Percent of Total
General Fund	\$46,684,220	\$51,904,075	\$53,841,248	38.2%
Percent of Total	49.0%	38.8%	38.2%	
State Special Revenue				
Earmarked Alcohol Funds	\$2,452,905	\$3,332,739	\$3,588,765	2.5%
County Revenue - Intergovern. Trans.	0	2,356,155	\$2,365,564	1.7%
Managed Care Rev. MMHNCC	2,734,476	350,000	\$380,000	0.3%
Drug Rebate Collections	0	265,000	\$305,497	0.2%
Tobacco Interest Constitutional Trust	0	150,209	\$261,736	0.2%
MSH Canteen	41,209	41,209	\$41,209	0.0%
MMHNCC Donations	5,957	5,957	\$5,957	0.0%
MSH Donations	4,045	4,045	\$4,045	0.0%
Conference Donations	1,280	1,280	\$1,280	0.0%
Managed Care Rev. - MSH	552,126	0	\$0	0.0%
Indirect/Cost Allocation Funds	<u>24,562</u>	<u>2,173</u>	<u>\$2,319</u>	<u>0.0%</u>
Subtotal State Special Revenue	<u>\$5,816,560</u>	<u>\$6,508,767</u>	<u>\$6,956,372</u>	<u>4.9%</u>
Percent of Total	6.1%	4.9%	4.9%	
Federal Funds				
Medicaid Benefits	\$35,770,440	\$ 55,758,735	\$ 60,416,383	42.8%
Substance Abuse Block Grant	4,528,512	6,256,505	6,256,543	4.4%
Medicaid Administration	1,018,049	5,587,486	5,647,186	4.0%
ADAD Needs ASM Study	0	3,594,483	3,594,483	2.5%
CHIP Grant	0	2,614,536	2,678,822	1.9%
Mental Health Block Grant	871,537	1,213,398	1,213,398	0.9%
Mental Health - Homeless	306,034	306,034	306,034	0.2%
Misc. Mental Health Funds	126,946	0	0	0.0%
Indirect/Cost Allocation Funds	192,720	187,602	189,398	<u>0.1%</u>
Subtotal Federal Funds	<u>\$42,814,238</u>	<u>\$75,518,779</u>	<u>\$ 80,302,247</u>	<u>56.9%</u>
Percent of Total	44.9%	56.4%	56.9%	
Total Funds	<u>\$95,315,018</u>	<u>\$ 133,931,621</u>	<u>\$ 141,099,867</u>	<u>100%</u>
Increase Above Base		40.5%	48.0%	
Annual Rate of Change from 2000 Base		18.5%	14.0%	

Funding

Table 39 shows division funding for the base budget compared to the 2003 biennium appropriation. General fund declines from 49 percent of total fiscal 2000 expenditures to about 38 percent in fiscal 2003. The reduction is due in part to replacing \$2 million general fund each year with county funds state special revenue from the Medicaid intergovernmental transfer program for county nursing homes administered by the Senior and Long-Term Care Division.

General fund pays most of the state match for mental health Medicaid services and administration, adult services provided by MHSP and the state match for CHIP federal grant funds for children's MHSP services, the majority of state institution costs, a share of division administrative costs, and a small portion of Medicaid chemical dependency services.

Alcohol taxes are the most significant state special revenue source and fund the state match for Medicaid chemical dependency services, a share of MCDC costs, a share of costs to treat persons who are mentally ill and chemically dependent, and chemical dependency services provided by state approved programs to persons with incomes above the Medicaid eligibility standard, but less than 200 percent of the federal poverty level (\$35,300 for a

family of four in 2001). The legislature directed AMDD to implement a Medicaid intergovernmental transfer program for chemical dependency services and approved the executive request for an intergovernmental transfer program for mental health services, appropriating county funds state special revenue to support the nonfederal share of costs. State special revenue for support of the nursing care center and state hospital decline from base budget expenditures since Medicaid institutional reimbursements were appropriated in the federal special revenue fund type as required by statute. The remaining \$350,000 supports a Medicaid pharmacy rebate program for the nursing care center. Drug rebate collections are anticipated payments from drug manufacturers that chose to participate in the rebate program for the state MHSP program. Interest income from the constitutional tobacco settlement trust fund pays a share of the state match for

Medicaid provider rate increases. Indirect cost allocation funds are assessments from state special revenue funds that support administrative costs. Remaining state special revenue sources support institutions and mental health conference costs.

Federal funds rise as a percent of AMDD appropriations from 45 percent of base budget expenditures to 57 percent of the fiscal 2003 appropriation. Medicaid program expansions account for the majority of the increase and federal Medicaid funds are the single largest funding source supporting 47 percent of the fiscal 2003 AMDD appropriation when service and administrative costs are combined. Three federal block grants for chemical dependency services and needs assessment comprise 7 percent of the total division appropriation. Federal CHIP funds pay the match for children's mental health services. Two federal block grants support community services for persons with mental illness and some services for the homeless mentally ill. Indirect funds are assessments from federal funding sources to support shared administrative costs.

Alcohol Tax Revenue and Disbursements

Table 40 shows the revenue and disbursements from the alcohol tax from fiscal 2000 actual expenditures through fiscal 2003 estimates and appropriations. The department receives an allocation of the liquor license tax, which accounts for the most significant share of tax proceeds, as well as a share of wine and beer taxes. A small amount of revenue is due to cost recovery at MCDC. Revenues are expected to grow by about 5 percent per year through the 2003 biennium.

The largest appropriation made from the account is for operation of MCDC. The amount declines from the 2001 biennium because an increasing share of the MCDC is funded by the federal chemical dependency block grant and the alcohol funds that formerly supported MCDC are appropriated for the state Medicaid match for the expansion of Medicaid to cover chemical dependency services.

Disbursements from the account should fully expend the revenues because the balance remaining after the legislature makes appropriations from the account is statutorily appropriated for distribution to counties for purposes pertaining to the problems of alcoholism (Section 53-24-206(3)(b) and (c), MCA). The legislature accepted the executive recommendation to spend about \$1.3 million of alcohol tax proceeds to fund services in the 2003 biennium for persons who are chemically dependent and mentally ill. The legislature passed SB 264 to allow the expenditure of funds and also amended statute to require that DPHHS distribute at least \$1 million to counties and that no more than \$1.3 million of alcohol tax funds be expended to support mental health services during a biennium. The provision sunsets July 1, 2003.

DPHHS plans to spend about \$500,000 more alcohol tax than was appropriated by the legislature in fiscal 2001 to: 1) offset \$162,236 of general fund appropriated for indigent youth alcohol treatment; 2) increase funding for mental health

Table 40
Earmarked Alcohol Tax Revenue and Expenditures
Fiscal 2000 Actuals Through Fiscal 2003 Appropriations

Revenue/Expenditures Fund Balance	Fiscal 2000	Fiscal 2001*	Legislative Appropriations Fiscal 2002*	Fiscal 2003*	Percent of Total
Beginning Balance**	\$245,201	\$738,720	(\$0)	(\$0)	
Revenues					
Liquor License	\$2,986,407	\$3,134,000	\$3,297,000	\$3,487,000	67.8%
Beer Tax	840,281	875,972	909,291	949,215	18.5%
Wine Tax	547,706	571,330	596,750	623,410	12.1%
Cost Recovery for MCDC	74,150	76,755	79,360	81,965	1.6%
Total Revenue	<u>\$4,448,544</u>	<u>\$4,658,057</u>	<u>\$4,882,401</u>	<u>\$5,141,590</u>	<u>100.0%</u>
Annual Percent Change		4.7%	4.8%	5.3%	
Total Funds Available	<u>\$4,693,745</u>	<u>\$5,396,777</u>	<u>\$4,882,400</u>	<u>\$5,141,590</u>	
Disbursements					
Chemical Dependency Cntr	\$2,395,331	\$2,490,488	\$1,940,478	\$1,652,331	32.1%
Medicaid Services/Admin.	0	1,376	768,049	1,098,093	21.4%
Distribution to Counties***	999,999	1,398,179	1,051,117	1,046,685	20.4%
Mental Health Services	0	735,000	526,116	747,181	14.5%
Justice - Equipment	303,202	300,912	303,205	303,205	5.9%
Indigent Youth Treatment	0	164,236	0	0	0.0%
CD Operations	57,634	112,880	96,635	96,925	1.9%
Cost Allocated Admin.	88,587	82,481	91,245	91,245	1.8%
Quality Assrnce. - Licensure	57,227	67,614	57,834	58,204	1.1%
Pine Hills	25,523	25,523	25,523	25,523	0.5%
Commerce - POL Board	27,522	18,088	22,199	22,199	0.4%
Total Disbursements	<u>\$3,955,025</u>	<u>\$5,396,777</u>	<u>\$4,882,401</u>	<u>\$5,141,591</u>	<u>100.0%</u>
Ending Fund Balance	<u>\$738,720</u>	<u>(\$0)</u>	<u>(\$0)</u>	<u>(\$0)</u>	

*Estimated revenues are based on Revenue and Taxation Committee action and 2003 biennium costs are based on the legislative appropriation. Fiscal 2001 expenditures are based on DPHHS budget status report 3/31/01 and the appropriated amount for other agencies. Potential pay plan increases are not included.

**Fiscal 2000 beginning balance includes \$245,201 due to cancellation of a fiscal 1999 accrual.

***Beginning in fiscal 2001 distribution to counties is estimated to be total funds after all other appropriations are expended.

services by \$235,000; and 3) fund administration of chemical dependency with \$112,880. If DPHHS had not increased expenditures from alcohol taxes, the transfer to counties would have been increased by those amounts. Additionally, the supplemental appropriation for fiscal 2001 was understated by about that amount as well, since use of alcohol taxes will offset general fund costs.

Other state agency costs that are appropriated from the DPHHS allocation of alcohol taxes include:

- ?? Administrative functions within DPHHS for operation of the chemical dependency programs including licensure of local programs
- ?? Equipment, such as breathalyzers, for use by highway patrolmen in the Department of Justice
- ?? Treatment programs at Pine Hills Youth Correctional Facility managed by the Department of Corrections
- ?? The Professional and Occupational Licensing Board for certification and licensure of chemical dependency counselors in the Department of Commerce

2003 Biennium Appropriation by Major Function and Service

Table 41 shows the total division budget request and major components of the division appropriation compared to base budget expenditures. The table also shows the share of the total division budget for each major component and the compounded annual rates of change from fiscal 2000 to fiscal 2003 for the total budget and each major component.

Table 41
Addictive and Mental Disorders Division Base Expenditures and 2003 Biennium Appropriation

Budget Component Function/Benefit	Fiscal 2000 Base Budget				Fiscal 2002 Legislative Appropriation				Fiscal 2003 Legislative Appropriation				Percent of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
Total Division													
Division Admin.	\$570,746	\$24,562	\$192,808	\$788,116	\$569,779	\$24,823	\$194,609	\$789,211	\$575,477	\$25,066	\$196,433	\$796,976	0.6%
Mental Health*	45,907,217	3,339,105	37,966,034	87,212,356	51,173,367	3,453,930	62,361,125	116,988,422	53,117,696	3,855,469	66,256,036	123,229,201	87.3%
Addiction Services	206,257	2,452,893	4,655,396	7,314,546	160,929	3,030,014	12,963,045	16,153,988	148,075	3,075,837	13,849,778	17,073,690	12.1%
Total Division	\$46,684,220	\$5,816,560	\$42,814,238	\$95,315,018	\$51,904,075	\$6,508,767	\$75,518,779	\$133,931,621	\$53,841,248	\$6,956,372	\$80,302,247	\$141,099,867	100.0%
Percent of Total	49.0%	6.1%	44.9%	100.0%	38.8%	4.9%	56.4%	100.0%	38.2%	4.9%	56.9%	100.0%	
Annual Rate of Change					5.4%	5.8%	32.8%	18.5%	4.9%	6.1%	23.3%	14.0%	
State Institution Costs													
State Hospital	\$15,827,699	\$597,380	\$0	\$16,425,079	\$19,019,875	\$120,254	\$552,126	\$19,692,255	\$19,190,731	\$120,254	\$552,126	\$19,863,111	14.1%
Nursing Care Center	3,247,585	2,740,445	0	5,988,030	3,432,058	355,957	2,734,488	6,522,503	3,478,501	385,957	2,734,488	6,598,946	4.7%
Chemical Dependency Center	0	2,395,259	0	2,395,259	0	1,916,132	742,324	2,658,456	0	1,624,623	1,072,284	2,696,907	1.9%
Subtotal Institutions	\$19,075,284	\$5,733,084	\$0	\$24,808,368	\$22,451,933	\$2,392,343	\$4,028,938	\$28,873,214	\$22,669,232	\$2,130,834	\$4,358,898	\$29,158,964	20.7%
Percent of Total Division	40.9%	98.6%	0.0%	26.0%	43.3%	36.8%	5.3%	21.6%	42.1%	30.6%	5.4%	20.7%	
Annual Rate of Change from Base					8.5%	-35.4%		7.9%	5.9%	-28.1%		5.5%	
Grants													
Mental Health Services													
Community Grants	\$936,425	\$0	\$0	\$936,425	\$936,425	\$0	\$0	\$936,425	\$936,425	\$0	\$0	\$936,425	0.7%
PATH/Homeless Svcs	99,103	0	306,034	405,137	99,103	0	306,034	405,137	99,103	0	306,034	405,137	0.3%
Group Home Start Up	75,000	0	0	75,000	0	0	0	0	0	0	0	0	0.0%
Addiction Services													
Community Services	0	0	4,078,841	4,078,841	0	0	4,970,223	4,970,223	0	0	4,638,407	4,638,407	3.3%
Local Needs Assmt.	0	0	0	0	0	0	3,142,483	3,142,483	0	0	3,142,483	3,142,483	2.2%
Indigent Youth	162,610	0	0	162,610	0	0	0	0	0	0	0	0	0.0%
Subtotal Grants	\$1,273,138	\$0	\$4,384,875	\$5,658,013	\$1,035,528	\$0	\$8,418,740	\$9,454,268	\$1,035,528	\$0	\$8,086,924	\$9,122,452	6.5%
Percent of Total Division	2.7%	0.0%	10.2%	5.9%	2.0%	0.0%	11.1%	7.1%	1.9%	0.0%	10.1%	6.5%	
Annual Rate of Change from Base					-9.8%		38.6%	29.3%	-6.7%		22.6%	17.3%	
Benefits													
Medicaid													
Mental Health*	\$14,960,489	\$0	\$35,770,417	\$50,730,906	\$16,082,466	\$2,256,364	\$52,668,440	\$71,007,270	\$17,098,575	\$2,370,300	\$56,439,459	\$75,908,334	53.8%
Addiction Services	0	0	0	0	161,549	989,469	3,093,150	4,244,168	148,697	1,323,036	3,983,172	5,454,905	3.9%
Mental Health Svcs Plan*	9,799,136	0	871,537	10,670,673	9,906,117	720,075	3,827,934	14,454,126	10,582,624	977,678	3,892,220	15,452,522	11.0%
Adjustment	0	0	44	44	0	0	44	44	0	0	44	44	0.0%
Subtotal Benefits	\$24,759,625	\$0	\$36,641,998	\$61,401,623	\$26,150,132	\$3,965,908	\$59,589,568	\$89,705,608	\$27,829,896	\$4,671,014	\$64,314,895	\$96,815,805	68.6%
Percent of Total Division	53.0%	0.0%	85.6%	64.4%	50.4%	60.9%	78.9%	67.0%	51.7%	67.1%	80.1%	68.6%	
Annual Rate of Change from Base					2.8%		27.5%	20.9%	4.0%		20.6%	16.4%	

*The \$4 million general fund supplemental appropriation request for fiscal 2000 mental health services costs is not included in these totals.

The total division appropriation grows 14 percent annually from the fiscal 2000 base budget through the fiscal 2003. The growth is driven by increases in benefit and grant expenditures. Federal spending increases the most, rising at an annual compounded rate of 23 percent. Growth in federal appropriations is related to increases in overall Medicaid costs, the increased federal match rate for Medicaid costs, and higher federal block grants.

State institutions costs account for about 21 percent of the fiscal 2003 budget request, and support for the mental health institutions constitutes 42 percent of the total general fund appropriated for the division in fiscal 2003.

Grants are 6.5 percent of the total division budget and slightly less than 2 percent of the fiscal 2003 general fund appropriation. The two largest grants are for community services and local needs assessment for addiction services and prevention. Both are funded by federal block grants and together comprise 5 percent of the total division budget request in fiscal 2003. A small general fund grant of \$162,610 funded residential treatment services for low-income youth in the base budget year but is transferred in the 2003 biennium to pay part of the state Medicaid match for chemical dependency services.

Mental health community grants include contracts for crisis services and drop-in centers and are fully funded from the general fund. The PATH federal block grant supports outreach services to identify homeless mentally ill people and help them find housing. PATH services are funded from the block grant and about \$100,000 general fund. A \$75,000 grant from the general fund funded start-up of an 8-bed group home for adults in fiscal 2000. The grant is not continued in the 2003 biennium.

Benefits expenditures account for 69 percent of the total and 52 percent of the general fund fiscal 2003 appropriation. Benefits are the most significant division expenditure and also one of the fastest growing expenditures. Benefit appropriations increase at an annual compounded rate of 16 percent between fiscal 2000 and fiscal 2003. Grant expenditures increase about 17 percent annually over the same time period.

Medicaid mental health services are the most significant benefit expenditure, accounting for 54 percent of the fiscal 2003 appropriation. The division initiated an expansion of Medicaid services to fund chemical dependency services in fiscal 2001 that is expected to reach about \$4.5 million total funds by fiscal 2003. Medicaid services are funded about 27 percent state funds and 73 percent federal funds in the 2003 biennium.

MHSP is the second largest benefit with 11 percent of the total division appropriation in fiscal 2003. MHSP services are funded from the general fund and the federal mental health block grant in the base year budget. In the 2003 biennium, \$7 million in federal CHIP matching funds support mental health services for children who are eligible for CHIP and MHSP. The federal CHIP offset as well as other reductions and changes to children's services result in the negligible growth in the general fund cost of MHSP - \$0.8 million over the 2003 biennium compared to a total increase of \$8.6 million.

Mental Health Services 2001 Supplemental Appropriation and Impacts to 2003 Biennium

The legislature accepted several executive initiatives due to cost over-runs in mental health services during the 2001 biennium that impacted services and general fund appropriations in the 2003 biennium, in addition to approving an \$11.4 million general fund supplemental appropriation. While all mental health services contributed to the cost over-run, the most significant funding and programmatic changes and service reductions were made to MHSP, particularly children's services. The executive made some changes in early fiscal 2001 in advance of the legislative session to control costs including:

- ?? Capping enrollment in the MHSP program
- ?? Expanding the CHIP program to allow federal matching funds to offset the general fund cost of MHSP services for children eligible for both MHSP and CHIP
- ?? Reducing rates for partial hospitalization services for children
- ?? Instituting a utilization review program to identify and access appropriate lower cost, community services in lieu of higher end more costly institutional or out-of-state services

Initially these changes were believed to be sufficient to fully or partially offset a projected \$4 million general fund cost over-run in fiscal 2000. However, revised estimates in December 2000 indicated a 2001 biennium shortfall of \$15.9 million general fund for mental health services, with a net supplemental request for \$11.9 million after consideration of several general fund cost saving measures and funding switches. However, shortly after the legislature convened, the shortfall for mental health services was revised to \$17.8 million general fund, with a net supplemental request of \$11.4 million general fund as approved in HB 3.

Table 42 shows the executive estimate of general fund cost over-runs in mental health services, the offsetting reductions and fund switches, and the net general fund supplemental request approved by the legislature. Funding switches of nearly \$3 million provided the greatest general fund reduction, followed closely by savings in other program general fund appropriations and institutional revenue increases in Medicare reimbursement at the state hospital.

Expansion of CHIP to fund MSHP services for children eligible for both CHIP and MSHP was the most significant cost offset comprising 35 percent of the general fund savings. Reductions in children's services generated an estimated general fund cost savings of \$0.8 million in fiscal 2001. Although one of the proposed changes impacted MHSP adult services (elimination of partial hospitalization as a covered service), the executive did not reduce fiscal 2001 or 2003 biennium program cost estimates for adults to reflect that change. The program reductions implemented March 1, 2001 that were recommended by the executive and accepted by the legislature include:

- ?? Elimination of partial hospitalization services
- ?? Elimination of targeted case management and care coordination for children
- ?? Reduction in services for children eligible for MHSP but not CHIP

Refinancing MHSP general fund expenditures for children who are not eligible for CHIP with TANF general fund maintenance of effort offset \$318,634 and executive caseload revisions lowered the supplemental cost by \$71,590. Travel and hiring restrictions implemented after the legislature convened saved another \$228,391.

Table 42
Mental Health Services General Fund Cost Over-Run, Offsets, Fund Switches
and Net Supplemental Appropriation - 2001 Biennium

Service and Cost Over-run/ Cost Saving Measure/Net Increase	Fiscal 2000	Fiscal 2001	2001 Biennium Total	Percent of Total
Cost Over-run*				
Medicaid Services	\$4,309,515	\$3,356,179	\$7,665,694	42.9%
MHSP Services	766,033	4,413,553	5,179,586	29.0%
State Hospital Services	1,999,399	2,695,056	4,694,455	26.3%
MMHNCC/Administration	(21,749)	338,737	316,988	1.8%
Subtotal General Fund Cost Over-run	<u>\$7,053,198</u>	<u>\$10,803,525</u>	<u>\$17,856,723</u>	<u>100.0%</u>
General Fund Offsets/Cost Reductions				
<i>Mental Health Services Related Reductions/Offsets</i>				
Use CHIP Federal Matching Funds			(\$2,285,181)	35.4%
Eliminate Services for Children not CHIP Eligible**			(761,801)	11.8%
Alcohol Tax Revenue to Offset General Fund			(500,000)	7.7%
TANF Maintenance of Effort - Children's Basic Services**			(318,634)	4.9%
Mental Health Block Grant Increase			(138,750)	2.1%
Caseload Estimate Revision			(71,590)	1.1%
Eliminate Case Management - Children			(33,781)	0.5%
Eliminate Partial Hospitalization			(19,212)	0.3%
<i>General Actions</i>				
Other Programs with Savings/Institutional Revenues			(2,100,042)	32.5%
Travel/Hiring Restrictions			(228,391)	3.5%
Subtotal Offsets/Cost Reductions			<u>(\$6,457,382)</u>	<u>100.0%</u>
General Fund Reduction as Percent of Total Cost Over-run			-36.2%	
Net General Fund Supplemental for Mental Health Services			<u>\$11,399,341</u>	

*The cost over-run estimates where those provided by the executive to the legislature 2/12/01 and 3/5/01.

**A program to continue in-home and community services for 125 children was instituted and funded with general fund from the TANF block grant maintenance of effort.

2003 Biennium MHSP General Fund Offsets and Cost Reductions

The fiscal 2001 changes made to MHSP had a more significant impact to general fund costs in the 2003 biennium and the legislature accepted one additional executive recommendation to use \$1.3 million in state special alcohol tax funds to provide services to adults eligible for MHSP who also are chemically dependent. The legislature passed SB 264 to allow use of alcohol taxes for mental health services. Table 43 shows the general fund cost reductions and offsets for MHSP, which totaled \$11 million over the 2003 biennium.

Table 43
MHSP General Fund Cost Offsets and Funding Switches - 2003 Biennium

Funding Switches/Cost Reductions	Fiscal 2002	Fiscal 2003	Total 2003 Biennium	Percent of Total
Use CHIP Federal Matching Funds	\$2,614,536	\$2,678,822	\$5,293,358	48.6%
Service Reductions:*	2,086,215	1,858,149	3,944,364	36.2%
No Services Unless CHIP Eligible - Children**				
Eliminate Case Management - Children				
Eliminate Partial Hospitalization				
Alcohol Tax Funds Offset	530,075	747,181	1,277,256	11.7%
Mental Health Block Grant Increase	185,000	185,000	370,000	3.4%
Sub Total Offsets/Cost Reductions	\$5,415,826	\$5,469,152	\$10,884,978	100.0%

*The cost of service reductions was partially offset by other MHSP cost increases such as pharmacy inflation for adults. The legislature appropriated the net cost savings due to children's services reductions for community services and incentives to reduce the adult state hospital population.

**A program to continue in-home community services for 125 children was instituted and funded with general fund from the TANF block grant maintenance of effort.

The two most significant changes (\$9 million over the 2003 biennium and 85 percent of the total) are expansion of CHIP to cover mental health services for children eligible for both MHSP and CHIP and the reductions in children's MHSP services. The legislature diverted the general fund savings from the service reductions to fund 6.0 new FTE and planning for the new regional mental health system and development of community services and incentives to reduce the adult population at the state hospital.

Separate State Program for Children's Basic Mental Health Services

The legislature also reallocated \$1.3 million of the general fund that supports the state maintenance of effort for the TANF block

grant for a new program to provide basic mental health services for children. The department was authorized to use TANF block grant funds to support the expenditures previously paid by the diverted general fund.

Basic mental health services include community and in-home services and will be limited to 125 children annually. In order to be eligible, the child must meet the following eligibility criteria for the MHSP program: 1) be diagnosed with a serious emotional disturbance; and 2) have family income less than 150 percent of the federal poverty level. Services such as inpatient hospitalization and therapeutic group home are not covered.

MHSP Appropriation and Cost per Recipient

The legislature accepted the executive estimate of MHSP and Children's Basic Services costs. Table 44 shows the estimated average monthly number of persons eligible and number of recipients, average monthly cost for each recipient, the total annual cost by type of eligibility and the total annual cost. Medicaid funded services are not included in the table. State administered programs with enrollment limits are included.

Table 44
Monthly Number of Persons Eligible, Recipients, and Monthly Cost and Total Annual Cost
State Funded Community Mental Health Services*

Service by Age of Person	Fiscal 2002					Fiscal 2003				
	Monthly Eligibles	Monthly Recipients	Monthly Cost/Recip.	Annual Cost/Recip.	Percent of Total	Monthly Eligibles	Monthly Recipients	Monthly Cost/Recip.	Annual Cost/Recip.	Percent of Total
Mental Health Services Plan										
Children	320	256	\$1,038.40	\$3,189,965	22.6%	320	256	\$1,038.40	\$3,189,965	21.7%
Adults	3212	2248	380.64	10,268,145	72.8%	3212	2248	401.74	10,837,338	73.7%
Children's Basic	125	100	539.96	647,952	4.6%	125	100	559.94	671,928	4.6%
Mental Health Services										
Total Annual Cost				\$14,106,061					\$14,699,231	

*This table does not include information on the Medicaid program. This table includes information on state administered mental health services programs that are subject to enrollment limits. Information in this table is based on the executive estimate of benefit costs.

The average number of persons eligible and receiving services remains constant throughout the 2003 biennium. MHSP children's services are estimated to cost the most each month - \$1,038. The monthly cost for MHSP children's services do not change because the services are part of CHIP and cost is subject to bid by insurance companies. The average monthly cost of an adult MHSP recipient and of a child receiving basic mental health services rise between fiscal 2002 and 2003 due to provider rate increases and inflation in the cost of drugs. AMDD will manage the program by adjusting the number of persons eligible for service as cost projections and the number of monthly recipients changes.

SB 466 clarified mental health commitment laws with respect to treatment in a community facility, program or course of treatment. The bill also requires the department to create a funding category for persons in community commitments within existing mental health service program eligibility parameters and funding.

Legislative Finance Committee Interim Study

The Legislative Finance Committee (LFC) studied public mental health services during the 2001 biennium interim as directed by HJR 35. As part of its study recommendations, the LFC recommended six bills and requested that the Health and Human Services Joint Appropriation Subcommittee review several issues. Each of the bills recommended by the LFC passed. They are:

- ?? HJR 1, an interim study of mental health services by a joint interim subcommittee of the LFC, Legislative Audit Committee, Children, Families, Health, and Human Services, Law, Justice, and Indian Affairs, and State Administration, Public Retirement Systems, and Veterans' Affairs interim committees to monitor the continued development of appropriate and effective community services to serve persons in the least restrictive environment, the cost-effective provision of services, and the use of best practices, including the evolution of more sophisticated case management, issues of commitment to community facilities, programs, and treatment and involuntary medication identified in the 1999-2000 interim process, and issues of mental health services with respect to corrections and veterans' affairs
- ?? SJR 2 to support the executive proposal adopted by the legislature to fund training for law enforcement and other persons who deal with persons with a serious and disabling mental illness
- ?? SB 82 to revise laws on public mental health system and managed care
- ?? SB 107 to allow teleconferencing in all mental health proceedings at the agreement of the respondent or patient
- ?? SB 108 to define Advanced Practice Registered Nurses (APRN) (masters-level) with a clinical specialty in psychiatric mental health nursing as "professional persons" for the purposes of the mental health laws, which allows them to testify in court proceedings and to order medication in a mental health facility
- ?? SB 135 revises mental health ombudsman laws

Each issue that the LFC requested be reviewed and the subcommittee action with respect to it are listed:

- ?? Issue - Ensure that MHSP financial eligibility for children eligible for both MHSP and CHIP be established at the same level as financial eligibility for CHIP
- ?? Action – Accepted the executive recommendation to eliminate MSHP services for children not eligible for CHIP, so issue is moot
- ?? Issue - Review updated estimates to expand MHSP financial eligibility and cost sharing options initiated during the HJR 35 study
- ?? Action – Undertook review and determined that cost over-runs in mental health services and resultant service reductions precluded expansion
- ?? Issue - Review the DPHHS calculation of the average cost of providing mental health services by system component and age of recipient, and the average cost of a high-end user of mental health services by system component and age of recipient
- ?? Action – DPHHS provided the information requested and subcommittee reviewed such costs
- ?? Issue - Closely evaluate the appropriation request for MSH, and particularly the estimate of the average daily population (ADP) for the facility
- ?? Action - Reviewed DPHHS estimates and appropriated additional funds that could be used to fund services to help reduce the state hospital population or support higher estimated populations at the state hospital

- ?? Issue - Review guidelines and implementation by DPHHS of providing federal Medicaid matching funds to local government for the cost of transporting Medicaid eligible persons to medical facilities, other than MSH
- ?? Action – DPHHS provided information on Medicaid reimbursement, but did not provide a specific implementation plan or date
- ?? Issue - Review the DPHHS case management model that was to be developed in response to a request from the LFC
- ?? Action – DPHHS provided testimony to subcommittee on types of case management models, but did not elaborate on a specific one that it would use; legislature accepted executive recommendation to eliminate case management as a covered service for children

Mental Health Consultants to AMDD

The 1999 legislature passed SB 534 in order to guide development of the mental health system after cancellation of the statewide managed care contract in late fiscal 1999. As part of that effort, the legislature enacted a requirement that DPHHS contract with consultants. Section 53-21-702, MCA requires DPHHS to:

"contract with an independent professional consulting firm that is knowledgeable and experienced in developing managed mental health care systems. The department shall require, as part of the contract, that the consulting firm make regular reports to the Legislative Finance Committee and any other appropriate legislative interim committee. Reports must be made at least every 6 months and must include information about the development and implementation of the new mental health managed care system."

The subcommittee reviewed the consultant's final recommendations. The subcommittee requested that DPHHS provide a management plan on how it will develop and implement a new regional mental health system, which it reviewed. The subcommittee also appropriated \$1 million over the biennium and funded 4.0 FTE to ensure that DPHHS had adequate resources to undertake development of a regional system.

AMDD State Institution Appropriation and Average Daily Population

Table 45 shows the base budget, 2003 biennium appropriation, actual and estimated average daily population, and actual and estimated daily cost for each state institution managed by AMDD. The 2003 biennium appropriations for all institutions rise due to inflation in prescription costs, overtime, shift differential, and holiday pay.

The state hospital is the largest institution administered by AMDD, providing services for an estimated 165 persons each day at an estimated daily cost of \$330 per day (prior to allocation of pay plan) in fiscal 2003. The average daily and annual cost of state hospital services are almost three times greater than either the nursing care center or MCDC. The higher cost at the state hospital is due to higher staffing ratios, with a staffing ratio of slightly more than 1.0 FTE for each person receiving care.

The state hospital costs shown in Table 45 include the supplemental appropriation (and staff) in fiscal 2000 and an appropriation of \$2.4 million general fund over the 2003 biennium. The legislature approved the executive request for the extra \$2.4 million funded from lower than anticipated MHSP costs for several uses: higher than estimated state hospital population; community services and incentives to lower the state hospital population; and activities to help reduce mental health services costs and redirect persons to lower cost services when appropriate. The \$2.4 million is included in the state hospital appropriation despite its potential use in other program areas, because the legislature was concerned that the average daily population may be greater than 165. During appropriation subcommittee hearings the state hospital population ranged from 170 to 190 persons.

The nursing care center 2003 biennium appropriation anticipates an average daily population of 145 and an average daily cost of \$125 in fiscal 2003. MCDC is the smallest institution administered by AMDD with an estimated daily population of 61 in fiscal 2003 with an average daily costs of \$121.

The following tables show all present law adjustments and new proposals approved by the legislature for AMDD. Each present law adjustment and new proposal will be discussed in one of the following sub-program narratives: Mental Health Services; Addiction Treatment and Prevention Services; and Division Administration.

Table 45
Addictive and Mental Disorders Division
Actual and Appropriated State Institutional Costs

Institution	Fiscal 2000 Base	Fiscal 2002 Appropriation	Fiscal 2003 Appropriation
<u>Montana State Hospital*</u>			
FTE*	360.80	361.80	361.80
Total Cost/Appropriation*	\$18,425,079	\$19,692,255	\$19,863,111
Average Daily Population	158	165	165
Annual Costs Per Person	\$116,614	\$119,347	\$120,382
Annual Days of Care	57,670	60,225	60,225
Average Cost Per Day of Care	\$319	\$327	\$330
Percent Increase		2.3%	0.9%
<u>Montana Mental Health Nursing Care Center</u>			
FTE	144.27	144.26	144.26
Total Cost/Appropriation	\$5,988,030	\$6,522,503	\$6,598,946
Average Daily Population	144	145	145
Annual Costs Per Person	\$41,584	\$44,983	\$45,510
Annual Days of Care	52,560	52,925	52,925
Average Cost Per Day of Care	\$114	\$123	\$125
Percent Increase		8.2%	1.2%
<u>Montana Chemical Dependency Center</u>			
FTE	44.35	44.35	44.35
Total Cost/Appropriation	\$2,395,259	\$2,658,456	\$2,696,907
Average Daily Population	50	61	61
Annual Costs Per Person	\$47,905	\$43,581	\$44,212
Annual Days of Care	18,250	22,265	22,265
Average Cost Per Day of Care	\$131	\$119	\$121
Percent Increase		-9.0%	1.4%
*Fiscal 2000 MSH costs include the supplemental appropriation and modified FTE that were hired in fiscal 2000. Fiscal 2002/2003 costs include 2.0 FTE and \$2.4 million general fund that can be used to pay MSH costs, enhance community services, and fund staff or utilization review activities that reduce the need for inpatient and institutional care.			

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE			State	Federal	Total	FTE		State	Federal	Total
	General		Special	Special	Funds		General	Special	Special	Funds
Personal Services					1,003,453					1,121,118
Vacancy Savings					(563,999)					(567,529)
Inflation/Deflation					79,592					60,161
Fixed Costs					64,406					70,332
Total Statewide Present Law Adjustments					\$583,452					\$684,082
DP 1 - MSH Funding for Ongoing Costs										
	27.00	997,945	0	0	997,945	27.00	1,001,566	0	0	1,001,566
DP 2 - FY00-FY01 Screening Contract										
	0.00	143	0	429	572	0.00	143	0	429	572
DP 3 - Indigent Youth Alcohol Treatment										
	0.00	1,626	0	0	1,626	0.00	1,626	0	0	1,626
DP 26 - Mental Health Block Grant Increase										
	0.00	(185,000)	0	341,861	156,861	0.00	(185,000)	0	341,861	156,861
DP 28 - MCDC Holiday, OT, Differential Pay										
	0.00	0	48,636	0	48,636	0.00	0	50,095	0	50,095
DP 29 – MCDC Food and Rent Inflation FY02 & FY03										
	0.00	0	37,281	0	37,281	0.00	0	62,366	0	62,366
DP 38 - Frontier Rate Annualization										
	0.00	0	106,155	285,273	391,428	0.00	0	108,564	293,824	402,388
DP 50 - Caseload/Utilization Increase - MHSP Benefits										
	0.00	(573,782)	0	2,144,363	1,570,581	0.00	(207,765)	0	2,177,068	1,969,303
DP 51 - MHSP Executive Caseload Estimates										
	0.00	490,560	0	440,152	930,712	0.00	663,907	0	410,317	1,074,224
DP 52 - Caseload/Utilization Increase - Medicaid										
	0.00	2,943,157	0	15,728,518	18,671,675	0.00	3,565,498	0	18,116,320	21,681,818
DP 74 - MMHNCC Holiday, OT, Differential Pay										
	0.00	271,028	0	0	271,028	0.00	279,159	0	0	279,159
DP 76 - MSH Holiday, OT, Differential Pay										
	0.00	733,374	0	0	733,374	0.00	755,375	0	0	755,375
DP 82 - Family & Consumer Services Training										
	0.00	21,875	0	13,125	35,000	0.00	21,875	0	13,125	35,000
DP 86 - Fund MHSP Pharmacy Rebates										
	0.00	0	265,000	0	265,000	0.00	0	305,497	0	305,497
DP 199 – MHSP Eligibility Staffing										
	6.00	144,459	0	48,153	192,612	6.00	144,953	0	48,317	193,270
DP 414 - Federal Authority for Support of Institutions										
	0.00	0	(3,286,614)	3,286,614	0	0.00	0	(3,286,614)	3,286,614	0
DP 696 - Data Network Fixed Cost Reduction										
	0.00	(43)	0	0	(43)	0.00	(43)	0	0	(43)
DP 698 - Rent Reduction - Use of Capitol Land Grant										
	0.00	(6,410)	0	0	(6,410)	0.00	(6,432)	0	0	(6,432)
DP 699 - Vacancy Savings at 4 Percent										
	0.00	(253,505)	(22,879)	(8,802)	(285,186)	0.00	(254,598)	(22,978)	(8,844)	(286,420)
DP 988 - Annualization of Utilization Review & Management										
	0.00	214,324	0	841,063	1,055,387	0.00	246,991	0	898,511	1,145,502
DP 992 - Discontinue OJJDP Combating Underage Drinking										
	0.00	0	0	(126,946)	(126,946)	0.00	0	0	(126,946)	(126,946)
DP 993 - MMHNCC Medicaid Patient Pharmacy Program										
	0.00	0	350,000	0	350,000	0.00	0	380,000	0	380,000
DP 994 - Substance Abuse Prevention & Treatment Block Grant										
	0.00	0	0	1,633,706	1,633,706	0.00	0	0	1,631,850	1,631,850
DP 995 - Continue Community Incentive Grant										
	5.00	0	0	3,649,490	3,649,490	5.00	0	0	3,650,702	3,650,702
DP 997 - MCDC Pharmacy Cost Inflation										
	0.00	0	22,829	0	22,829	0.00	0	25,608	0	25,608
DP 998 - MMHNCC Pharmacy Cost Inflation										
	0.00	43,125	0	0	43,125	0.00	60,839	0	0	60,839
DP 999 - MSH Pharmacy Cost Inflation										
	0.00	171,102	0	0	171,102	0.00	256,528	0	0	256,528
Total Other Present Law Adjustments										
	38.00	\$5,013,978	(\$2,479,592)	\$28,276,999	\$30,811,385	38.00	\$6,344,622	(\$2,377,462)	\$30,733,148	\$34,700,308
Grand Total All Present Law Adjustments					\$31,394,837					\$35,384,390

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals											
-----Fiscal 2002-----						-----Fiscal 2003-----					
Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 117 - Refinance Chemical Dependency Program	33	1.00	(4,978)	25,725	2,444,192	2,464,939	1.00	(22,469)	25,809	3,307,177	3,310,517
DP 130 - Provider Rate Increases - Medicaid	33	0.00	91,457	150,209	649,432	891,098	0.00	472,749	261,736	1,987,848	2,722,333
DP 131 - Psychiatrist Access Rate Increase	33	0.00	119,782	0	234,800	354,582	0.00	137,777	0	271,050	408,827
DP 136 - Provider Rate Increase - Screening Contract	33	0.00	202	0	604	806	0.00	609	0	1,828	2,437
DP 137 - Provider Rate Increase - MHSP	33	0.00	149,907	0	30,021	179,928	0.00	474,661	0	91,437	566,098
DP 138 - Provider Rate Increase - Indigent Youth	33	0.00	2,291	0	0	2,291	0.00	6,930	0	0	6,930
DP 193 - Law Enforcement & Criminal Justice	33	1.00	42,219	0	25,332	67,551	1.00	42,324	0	25,395	67,719
DP 408 - State Special Alcohol Revenue Funding Switch	33	0.00	(530,075)	530,075	0	0	0.00	(747,181)	747,181	0	0
DP 411 - Basic Mental Health Services for Children	33	0.00	647,952	0	0	647,952	0.00	671,928	0	0	671,928
DP 413 - Olmstead Planning/Implementation Grant	33	0.00	0	0	20,000	20,000	0.00	0	0	20,000	20,000
DP 415 - Intergovernmental Transfer - Chemical Dependency	33	0.00	0	250,000	671,829	921,829	0.00	0	257,000	695,557	952,557
DP 417 - Funding Shift - Intergovernmental Transfer	33	0.00	(2,000,000)	2,000,000	0	0	0.00	(2,000,000)	2,000,000	0	0
DP 420 - SB 107 -- Teleconferencing During Mental Health Proceedings	33	0.00	7,800	0	0	7,800	0.00	8,190	0	0	8,190
DP 689 - FTE Reduction	33	(1.01)	(20,135)	0	0	(20,135)	(1.01)	(20,200)	0	0	(20,200)
DP 888 - Change Funding for CD Position	33	0.00	(51,254)	38,440	12,814	0	0.00	(51,407)	38,555	12,852	0
DP 989 - Regional Mental Health System Planning	33	4.00	208,531	0	278,041	486,572	4.00	208,530	0	278,040	486,570
DP 996 - Community Incentives/State Hospital Reduction	33	2.00	1,196,553	0	0	1,196,553	2.00	1,196,553	0	0	1,196,553
Total	6.99	(\$139,748)	\$2,994,449	\$4,367,065	\$7,221,766		6.99	\$378,994	\$3,330,281	\$6,691,184	\$10,400,459

New Proposals

New proposals are appropriations for new or expanded services above the cost of providing the level of service authorized by the previous legislature. Changes in funding for services are usually considered new proposals as well.

MENTAL HEALTH

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	485.07	33.00	5.99	524.06	33.00	5.99	524.06	524.06
Personal Services	17,531,571	2,164,455	265,910	19,961,936	2,296,330	269,579	20,097,480	40,059,416
Operating Expenses	6,661,039	1,867,647	1,492,437	10,021,123	2,074,969	1,490,890	10,226,898	20,248,021
Equipment	151,247	0	0	151,247	0	0	151,247	302,494
Local Assistance	0	0	0	0	0	0	0	0
Grants	1,416,562	(75,000)	0	1,341,562	(75,000)	0	1,341,562	2,683,124
Benefits & Claims	61,401,535	21,986,257	2,073,560	85,461,352	25,590,091	4,369,186	91,360,812	176,822,164
Transfers	0	0	0	0	0	0	0	0
Debt Service	50,402	0	800	51,202	0	800	51,202	102,404
Total Costs	\$87,212,356	\$25,943,359	\$3,832,707	\$116,988,422	\$29,886,390	\$6,130,455	\$123,229,201	\$240,217,623
General Fund	45,907,217	5,351,957	(85,807)	51,173,367	6,764,539	445,940	53,117,696	104,291,063
State/Other Special	3,339,105	(2,565,459)	2,680,284	3,453,930	(2,492,553)	3,008,917	3,855,469	7,309,399
Federal Special	37,966,034	23,156,861	1,238,230	62,361,125	25,614,404	2,675,598	66,256,036	128,617,161
Total Funds	\$87,212,356	\$25,943,359	\$3,832,707	\$116,988,422	\$29,886,390	\$6,130,455	\$123,229,201	\$240,217,623

The Mental Health Services function includes state institutional and community mental health services for adults and residential and community mental health services for children. MSH and MMHNCC are state institutions funded from general fund and Medicaid funds. Matching federal Medicaid funds are available for services provided by an institution for mental disease to persons under age 22 and over age 65. Community services are funded from federal Medicaid and CHIP funds and general fund. The MHSP program includes services for adults with a serious and disabling mental illness, and children eligible for CHIP who are seriously emotionally disturbed and who are in families with incomes below 150 percent of the federal poverty level.

The legislature accepted the executive plan to mitigate the 2001 biennium supplemental appropriation in mental health services and made several changes to the Executive Budget, including service reductions in MHSP and limits on eligibility for children.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				714,497						816,067
Vacancy Savings				(494,388)						(497,435)
Inflation/Deflation				78,455						57,324
Fixed Costs				59,049						64,247
Total Statewide Present Law Adjustments				\$357,613						\$440,203
DP 1 - MSH Funding for Ongoing Costs	27.00	997,945	0	0	997,945	27.00	1,001,566	0	0	1,001,566
DP 2 - FY00-FY01 Screening Contract	0.00	143	0	429	572	0.00	143	0	429	572
DP 26 - Mental Health Block Grant Increase	0.00	(185,000)	0	341,861	156,861	0.00	(185,000)	0	341,861	156,861
DP 38 - Frontier Rate Annualization	0.00	0	106,155	285,273	391,428	0.00	0	108,564	293,824	402,388
DP 50 - Caseload/Utilization Increase - MHSP Benefits	0.00	(573,782)	0	2,144,363	1,570,581	0.00	(207,765)	0	2,177,068	1,969,303
DP 51 - MHSP Executive Caseload Estimates	0.00	490,560	0	440,152	930,712	0.00	663,907	0	410,317	1,074,224
DP 52 - Caseload/Utilization Increase - Medicaid	0.00	2,943,157	0	15,728,518	18,671,675	0.00	3,565,498	0	18,116,320	21,681,818
DP 74 - MMHNCC Holiday, OT, Differential Pay	0.00	271,028	0	0	271,028	0.00	279,159	0	0	279,159
DP 76 - MSH Holiday, OT, Differential Pay	0.00	733,374	0	0	733,374	0.00	755,375	0	0	755,375
DP 82 - Family & Consumer Services Training	0.00	21,875	0	13,125	35,000	0.00	21,875	0	13,125	35,000
DP 86 - Fund MHSP Pharmacy Rebates	0.00	0	265,000	0	265,000	0.00	0	305,497	0	305,497
DP 199 - MHSP Eligibility Staffing	6.00	144,459	0	48,153	192,612	6.00	144,953	0	48,317	193,270
DP 414 - Federal Authority for Support of Institutions	0.00	0	(3,286,614)	3,286,614	0	0.00	0	(3,286,614)	3,286,614	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(43)	0	0	(43)	0.00	(43)	0	0	(43)
DP 699 - Vacancy Savings at 4 Percent	0.00	(247,570)	0	(3,043)	(250,613)	0.00	(248,619)	0	(3,053)	(251,672)
DP 988 - Annualization of Utilization Review & Management	0.00	214,324	0	841,063	1,055,387	0.00	246,991	0	898,511	1,145,502
DP 993 - MMHNCC Medicaid Patient Pharmacy Program	0.00	0	350,000	0	350,000	0.00	0	380,000	0	380,000
DP 998 - MMHNCC Pharmacy Cost Inflation	0.00	43,125	0	0	43,125	0.00	60,839	0	0	60,839
DP 999 - MSH Pharmacy Cost Inflation	0.00	171,102	0	0	171,102	0.00	256,528	0	0	256,528
Total Other Present Law Adjustments				\$25,585,746					\$25,583,333	\$29,446,187
33.00	\$5,024,697	(\$2,565,459)	\$23,126,508		33.00	\$6,355,407	(\$2,492,553)			
Grand Total All Present Law Adjustments				\$25,943,359						\$29,886,390

Present Law Adjustments

DP 1 - MSH Funding for Ongoing Costs - The legislature appropriated \$2.0 million general fund and funding for 27 FTE to continue Montana State Hospital services at the fiscal 2000 level. The 2001 biennium budget was based on an average daily population of 135, compared to the actual population of 158 during fiscal 2000. The legislature approved the 2001 biennium MSH Executive Budget request. This proposal will make permanent 27 FTE currently in modified positions. Adding 27 FTE will support DPHHS estimated average daily population for MSH of 165.

The legislature also approved a new proposal for \$2.4 million general fund over the biennium to be used to support MSH costs and community services for seriously mentally ill adults (see New Proposal 996). The proposal was part of the executive plan to mitigate the 2001 biennium supplemental appropriation.

DP 2 - FY00-FY01 Screening Contract - The legislature appropriated \$1,144, including \$286 general fund, over the biennium for the 1 percent rate increase granted for fiscal 2001 for the Preadmission Screening and Annual Resident Review (PASARR) program providers. PASARR screenings are utilized to determine if nursing facility applicants or residents have diagnoses or indications of mental illness. The program has a federal match of 75 percent.

DP 26 - Mental Health Block Grant Increase - The legislature added \$0.7 federal funds over the biennium due to an increase in the federal mental health block grant. Part of the increase offsets \$0.4 million general fund over the biennium.

Fiscal 2000 expenditures were \$871,537 and the new grant award is \$1.2 million. In previous years, the Mental Health Block Grant was used for community mental health services for children and youth with serious emotional disturbance or severe and disabling mental illness. Since the executive limited services and eligibility for children who are not CHIP eligible and funded ongoing basic services from the state maintenance of effort for the federal TANF block grant, the block grant will most likely be used to fund services for adults.

The state must sustain a maintenance of effort to continue to receive the full mental health block grant. There is a dollar for dollar reduction in the block grant equal to reductions in maintenance of effort. The maintenance of effort is based on the average of the two most recent years of state expenditures for all activities mental health services and administrative costs except those for state institutions and inpatient residential psychiatric care for children. State match for Medicaid and CHIP services can be counted in the maintenance of effort, but general fund counted toward TANF maintenance of effort cannot.

DP 38 - Frontier Rate Annualization - The legislature authorized the department to fund a Medicaid intergovernmental transfer program to make one-time payments for certain community-based mental health services delivered in counties classified by the U.S. Bureau of the Census as "frontier" counties (counties with a population density of fewer than six persons per square mile). The frontier premium ranges between 20 percent and 25 percent, depending on the service. The funding for the frontier rate for MHSP is included in the estimated monthly cost for those persons eligible to receive MHSP services. This item includes only the Medicaid reimbursement for frontier mental health services.

DP 50 - Caseload/Utilization Increase – MHSP Benefits - The legislature approved an increase of \$3.5 million total funds for MHSP, which includes a reduction of \$0.8 million general fund over the biennium. The general fund reduction is due to: 1) increases in the mental health block grant and appropriation of alcohol state special revenue to offset general fund; 2) elimination of out-of-home services for children who are not also eligible for CHIP; 3) elimination of partial hospitalization for all recipients; 4) elimination of targeted case management for children; and 4) basing program appropriations on a monthly cost per recipient and capping enrollment in the program. Elimination of out-of-home services for children who are not also eligible for CHIP, service reductions, and appropriation of alcohol state special revenue were elements of the executive proposal to mitigate the 2001 biennium supplemental appropriation in mental health services.

The appropriation for MHSP benefits is estimated to provide sufficient funding for 3,212 adults and 248 children each month of the 2003 biennium. DPHHS will manage the program by changing the number of slots for adults as either more or fewer children become eligible for MHSP through CHIP.

DP 51 - MHSP Executive Caseload Estimates - The legislature added \$2.0 million total funds, including \$1.1 million general fund over the biennium to fund the revised executive request for MHSP benefits. Initially, the legislature accepted the legislative estimates for MHSP caseloads, which were lower.

The legislature also added language requiring that at least \$480,000 of the general fund in this item must be spent for grants to one or more local children's mental health provider coalitions to prevent placement of emotionally disturbed children in out-of-home services.

DP 52 - Caseload/Utilization Increase - Medicaid - The legislature approved \$41 million total funds, including \$6.6 million general fund, over the biennium for Medicaid caseload and growth in service utilization. The caseload increases

include annualization of caseload growth in the 2001 biennium due to the supplemental appropriation. A new proposal, DP 417, offsets \$4 million general fund budgeted for Medicaid services with state special revenue. The state special revenue is county funds transferred back to the state through a Medicaid intergovernmental transfer program for county funded nursing homes.

DP 74 - MMHNCC Holiday, OT, Differential Pay - The legislature added \$550,187 general fund over the biennium for holidays worked, overtime, and differential shift pay for the MMHNCC staff. Although these costs are routinely incurred in state institutions, the costs are removed from the adjusted base budget. The costs increase 3 percent between fiscal 2002 and fiscal 2003.

DP 76 - MSH Holiday, OT, Differential Pay - The legislature appropriated \$1.5 million general fund over the biennium for holidays worked, overtime, and differential pay at MSH. These personnel costs are removed from actual expenditures when base budgets are created for legislative consideration. The costs increase 3 percent between fiscal 2002 and fiscal 2003.

DP 82 - Family & Consumer Services Training - The legislature added \$35,000 each year of the biennium, including \$21,875 general fund, over the biennium to support a continuing program of education and training of mental health consumers, their families, and of mental health providers. AMDD has committed, on the recommendation of the Mental Health Oversight Advisory Council (MHOAC), to support this program.

DP 86 - Fund MHSP Pharmacy Rebates - The legislature approved \$0.6 million state special revenue for the biennium to fund pharmacy rebates for the MHSP program. Some drug manufacturers have agreed to pay a rebate to the department related to the cost of prescriptions purchased through MHSP.

DP 199 - MHSP Eligibility Staffing - The legislature approved the executive request to fund 6.00 FTE and appropriated \$0.4 million over the biennium, including \$0.3 million general fund. The FTE determine eligibility for MHSP.

DP 414 - Federal Authority for Support of Institutions - The legislature shifted funds between state special revenue and federal fund types. Statute requires that Medicaid reimbursement for the mental health state institutions be expended in the federal fund type, while actual expenditures and the appropriation request included Medicaid funds in the state special revenue fund.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

DP 988 - Annualization of Utilization Review - The legislature appropriated \$2.2 million, including \$0.5 million general fund, to annualize the cost of an expansion of the Medicaid and MHSP utilization review and management contract in fiscal 2001. A new contractor was selected in October 2000. The new contract expands the services by requiring the contractor to assist the department in managing the high-end, more costly benefit services in the mental health Medicaid program and MHSP.

DP 993 - MMHNCC Medicaid Patient Pharmacy Program - The legislature added \$730,000 state special revenue over the biennium to change the process of billing for prescription drugs for the Medicaid residents at MMHNCC. The MMHNCC serves Medicaid and non-Medicaid residents. The cost of prescriptions for the non-Medicaid residents is in the MMHNCC base budget, while the cost of prescriptions for Medicaid residents is not in the base budget as the previous pharmacy contractor billed the Medicaid program directly. Authority was provided to create a state special revenue fund

to deposit the collections of Medicaid pharmacy claims for residents. The MMHNCC will use these funds to pay drug costs for Medicaid residents.

DP 998 - MMHNCC Pharmacy Cost Inflation - The legislature added \$103,964 general fund over the biennium for increased MMHNCC pharmacy costs. The pharmacy management contract requires a 25 percent increase in the management fee associated with the contract in fiscal 2001 and 4.5 percent each year thereafter. The contract changes also require an increase of 8.5 percent in prescription drug costs beginning in fiscal 2001.

DP 999 - MSH Pharmacy Cost Inflation - The legislature added \$427,630 general fund over the biennium for increased pharmacy costs at MSH. The pharmacy management contract requires a 25 percent increase in the management fee associated with the contract in fiscal 2001 and 4.5 percent each year thereafter. The contract changes also require an increase of 8.5 percent in prescription drug costs beginning in fiscal 2001.

New Proposals										
Sub Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 130 - Provider Rate Increases - Medicaid										
01	0.00	91,457	150,209	649,432	891,098	0.00	472,749	261,736	1,987,848	2,722,333
DP 131 - Psychiatrist Access Rate Increase										
01	0.00	119,782	0	234,800	354,582	0.00	137,777	0	271,050	408,827
DP 136 - Provider Rate Increase - Screening Contract										
01	0.00	202	0	604	806	0.00	609	0	1,828	2,437
DP 137 - Provider Rate Increase - MHSP										
01	0.00	149,907	0	30,021	179,928	0.00	474,661	0	91,437	566,098
DP 193 - Law Enforcement & Criminal Justice										
01	1.00	42,219	0	25,332	67,551	1.00	42,324	0	25,395	67,719
DP 408 - State Special Alcohol Revenue Funding Switch										
01	0.00	(530,075)	530,075	0	0	0.00	(747,181)	747,181	0	0
DP 411 - Basic Mental Health Services for Children										
01	0.00	647,952	0	0	647,952	0.00	671,928	0	0	671,928
DP 413 - Olmstead Planning/Implementation Grant										
01	0.00	0	0	20,000	20,000	0.00	0	0	20,000	20,000
DP 417 - Funding Shift - Intergovernmental Transfer										
01	0.00	(2,000,000)	2,000,000	0	0	0.00	(2,000,000)	2,000,000	0	0
DP 420 - SB 107 -- Teleconferencing During Mental Health Proceedings										
01	0.00	7,800	0	0	7,800	0.00	8,190	0	0	8,190
DP 689 - FTE Reduction										
01	(1.01)	(20,135)	0	0	(20,135)	(1.01)	(20,200)	0	0	(20,200)
DP 989 - Regional Mental Health System Planning										
01	4.00	208,531	0	278,041	486,572	4.00	208,530	0	278,040	486,570
DP 996 - Community Incentives/State Hospital Reduction										
01	2.00	1,196,553	0	0	1,196,553	2.00	1,196,553	0	0	1,196,553
Total	5.99	(\$85,807)	\$2,680,284	\$1,238,230	\$3,832,707	5.99	\$445,940	\$3,008,917	\$2,675,598	\$6,130,455

New Proposals

DP 130 - Provider Rate Increases - Medicaid - The legislature appropriated \$3.6 million, including \$0.6 million general fund and \$0.4 million in interest income from the new constitutional trust fund for tobacco settlement proceeds over the biennium for a 1.4 percent provider rate increase in fiscal 2002 and 2.8 percent increase in fiscal 2003 for Medicaid mental health service providers.

DP 131 - Psychiatrist Access Rate Increase - The legislature appropriated \$0.8 million total funds, including \$0.3 million general fund over the biennium to continue a rate increase for psychiatric services implemented by the department in fiscal 2001. This appropriation funds the portion of the rate increase for the Medicaid program. The psychiatric rate increase for MHSP is rolled into the present law adjustment.

DP 136 - Provider Rate Increase - Screening Contract - The legislature added \$3,243 total funds, including \$811 general fund over the biennium for a rate increase for providers who screen nursing home residents for mental illness. The rate increase is 1.4 percent in fiscal 2002 and 2.8 percent in fiscal 2003.

DP 137 - Provider Rate Increase - MHSP - The legislature appropriated \$0.8 million total funds, including \$0.6 million general fund for a provider rate increase for MHSP providers. The rate increase is 1.4 percent in fiscal 2002 and 2.8 percent in fiscal 2003.

DP 193 - Law Enforcement & Criminal Justice - The legislature appropriated \$135,270, including \$84,543 general fund, and funding for 1.0 FTE over the biennium to support development of, and make available to local law enforcement personnel, training to help them to appropriately respond to emergency situations involving severe mental disturbance, chemical intoxication, and/or mental illness. The training would be designed to help them recognize persons suffering from a serious mental illness or chemical dependency problem and to obtain appropriate assistance in working with such persons in a crises situation. Officers currently receive little to no training, with the exception of 2 hours of training at the Law Enforcement Academy. Training would be developed cooperatively with representatives of law enforcement and would be provided through contracted personnel.

The legislature restricted use of the appropriation.

DP 408 - State Special Alcohol Revenue Funding - The legislature accepted the executive proposal to use \$1.3 million state special revenue alcohol tax funds to offset general fund in the MHSP program. The funds will be used to contract with: 1) MCDC for two chemical dependency counselors to work at MSH; and 2) community service providers for all chemical dependency and mental health services, except prescriptions, for eligible adults.

The legislature passed SB 264 to allow state special alcohol tax revenue to be used for mental health services.

DP 411 - Basic Mental Health Services for Children - The legislature accepted the executive proposal to: 1) eliminate out-of-home mental health services for low-income children who are not also eligible for CHIP; and 2) continue a limited array of community and in-home services for 100 children who are determined to be seriously emotionally disturbed and whose families have incomes under 150 percent of the federal poverty level. The legislature funded the program with \$1.3 million of general fund from the state maintenance of effort TANF block grant. General fund was reallocated from the Human and Community Services Division and federal TANF funds were appropriated to support the costs previously funded by general fund. The legislature directed the department to create a separate state program using state general fund maintenance of effort. The program reductions were made as a part of the executive plan to mitigate part of the supplemental appropriation in the 2001 biennium.

The legislature initially restricted the appropriation to fund mental health services only. The legislature changed the language to allow any unexpended funds to be transferred to the Human and Community Services Division to be expended to fulfill the attainment of the maintenance of effort related to the TANF block grant.

DP 413 - Olmstead Planning/Implementation Grant - The legislature added \$40,000 federal funds over the biennium to complete a plan to comply with the U.S. Supreme Court Olmstead decision and begin plan implementation. The legislature added language to HB 2 requiring that the department contract with the Consensus Council to perform the functions associated with the grant.

DP 417 - Funding Shift - Intergovernmental Transfer - The legislature reduced general fund by \$2 million each year and appropriated \$2 million state special revenue each year in the Medicaid mental health services program. The \$2 million in state special revenue are funds returned to the state by counties participating in the Medicaid intergovernmental transfer program for county supported nursing homes. The nursing home intergovernmental transfer program is explained in more detail in the agency overview and in DP 142 in the Senior and Long-Term Care Division narrative.

DP 420 - SB 107 - Teleconferencing During Mental Health Proceedings - The legislature appropriated \$15,990 general fund to pay video teleconferencing costs of persons at the Montana State Hospital who wish to participate in court hearings via video teleconferencing. The funds were added due to passage and approval of SB 107 allowing mental health court proceedings to be conducted via video teleconference.

DP 689 - FTE Reduction - The legislature directed that 1.01 FTE could not be included in the base budget funding for the 2005 biennium budget request since the FTE had been vacant 7 months or longer. The legislature reduced general fund by \$40,335 over the biennium as part of the FTE reduction.

DP 989 - Regional Mental Health System Planning - The legislature approved \$1 million total funds, including \$0.4 million general fund, over the biennium and funding for 4.0 FTE to begin planning and implementation of a new regional mental health system. The funding will also help manage the current mental health system during the 2003 biennium. This recommendation was part of the executive request to mitigate the 2001 biennium supplemental appropriation.

DP 996 - Community Incentives/State Hospital Reduction - The legislature accepted the executive recommendation to appropriate \$2.4 million general fund, including funds for 2.0 FTE. The funds will be used to support MSH and for community services for persons eligible for services at the state hospital. The original Executive Budget request was based on a daily population of 165 persons at the state hospital while population in December 2000 averaged 177 and recent population has spiked over 189.

The legislature added language allowing funds to be spent for services at the state hospital, utilization and review activities, and staff and services in the community. The appropriation is a biennial appropriation.

The total appropriation for DP 996 was reduced by \$40,000 general fund each year due to approval of the department plan to reallocate \$250,000 general fund from various divisions to the Child Support Enforcement Division. The general fund shift implements the department plan to partially reinstate a reduction in FTE in the Child Support Enforcement Division that was approved by the legislature.

Language

Items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division] include appropriations of state special revenue for provider rate increases funded from the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution. If the interest income on the tobacco settlement trust fund provided for in Article XII, Section 4, of the Montana Constitution is insufficient to fully fund the state special revenue appropriations in items [Health Policy and Services Division], [Senior and Long-Term Care Division], and [Addictive and Mental Disorders Division], the legislature intends that the department find alternative funding sources to fully fund the provider rate increases. Alternative sources may include but are not limited to enhanced Medicaid intergovernmental transfer programs and transfers of general fund money from other appropriations.

The appropriation in item [Addictive and Mental Disorders Division] is contingent on the department developing a management plan to: (1) ensure that the department staff tracking the census of residential treatment of children in Montana communicate in-state service availability to appropriate staff; and (2) negotiate or issue requests for proposals in compliance with 52-2-306 and 52-2-307 for placement of children with in-state providers in lieu of placing the child in out-of-state treatment. The department shall submit the plan to the Children, Families, Health, and Human Services Interim Committee and the Legislative Finance Committee by July 1, 2001.

Item [Addictive and Mental Disorders Division] includes \$559,560 in general fund money in fiscal 2002 and \$713,907 in fiscal 2003 that must be used to fund mental health services for persons eligible for the Mental Health Services Plan. At least \$480,000 of these general fund appropriations must be used for grants to one or more local children's mental health provider coalitions to prevent placement of emotionally disturbed children in out-of-home services.

Funds in [Community Incentives/State Hospital (restricted/biennial/OTO)] must be used to fund services at Montana State Hospital and for staff and utilization review activities to reduce the use of institutional services. Any funds not spent for staff and utilization review activities must be used to fund community services, which will reduce the need for inpatient and institutional care.

Funds in [Basic Mental Health Services for Children] must be used to fund mental health services for low-income children. Funds in item [Basic Mental Health Services for Children] may not be used for any other purpose or transferred to any other program.

Funds in item [Olmstead Planning/Implementation] must be used to contract with the Montana Consensus Council.

Funds in item [Frontier Rate Increases] must be used to pay one-time increases in reimbursement for services provided in frontier counties by county-funded mental health Medicaid service providers.

Funds in item [Law Enforcement/Judicial Training – Mental Illness] must be used for:

- 1) activities related to training and educating law enforcement personnel, judicial personnel, and persons instrumental to the commitment process in recognizing serious mental illness and appropriate approaches to and treatment for persons who exhibit symptoms of mental illness; and
- 2) development of screening tools to help identify whether a person may be mentally ill.

ADDICTION TREATMENT & PREVENTION SERVICES

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	49.35	5.00	1.00	55.35	5.00	1.00	55.35	55.35
Personal Services	1,679,357	422,949	47,051	2,149,357	435,556	47,219	2,162,132	4,311,489
Operating Expenses	1,371,325	249,619	4,000	1,624,944	277,625	4,000	1,652,950	3,277,894
Equipment	10,662	0	0	10,662	0	0	10,662	21,324
Grants	4,241,451	4,776,189	(904,934)	8,112,706	4,774,333	(1,234,894)	7,780,890	15,893,596
Benefits & Claims	0	1,626	4,242,542	4,244,168	1,626	5,453,279	5,454,905	9,699,073
Debt Service	11,751	0	400	12,151	0	400	12,151	24,302
Total Costs	\$7,314,546	\$5,450,383	\$3,389,059	\$16,153,988	\$5,489,140	\$4,270,004	\$17,073,690	\$33,227,678
General Fund	206,257	8,613	(53,941)	160,929	8,764	(66,946)	148,075	309,004
State/Other Special	2,452,893	262,956	314,165	3,030,014	301,580	321,364	3,075,837	6,105,851
Federal Special	4,655,396	5,178,814	3,128,835	12,963,045	5,178,796	4,015,586	13,849,778	26,812,823
Total Funds	\$7,314,546	\$5,450,383	\$3,389,059	\$16,153,988	\$5,489,140	\$4,270,004	\$17,073,690	\$33,227,678

Addiction treatment and prevention services include the Montana Chemical Dependency Center (MCDC), community services, and funding for state approved chemical dependency programs. The most significant budget appropriation change is expansion of Medicaid funding for community, outpatient, and residential chemical dependency services. The division began implementing the expansion in fiscal 2001 and requested only the federal Medicaid matching funds in its budget request. The state match comes from existing expenditures.

Except for alcohol tax funds, there are virtually no state funds in the alcohol and drug abuse treatment program. The legislature appropriated state special revenue from county funds for a Medicaid intergovernmental transfer program. The other significant funding sources for chemical dependency programs are federal block grants, which total about \$9.2 million annually, and federal Medicaid funds.

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				264,657						275,021
Vacancy Savings				(53,117)						(53,428)
Inflation/Deflation				(545)						(403)
Fixed Costs				0						0
Total Statewide Present Law Adjustments				\$210,995						\$221,190
DP 3 - Indigent Youth Alcohol Treatment	0.00	1,626	0	0	1,626	0.00	1,626	0	0	1,626
DP 28 - MCDC Holiday, OT, Differential Pay	0.00	0	48,636	0	48,636	0.00	0	50,095	0	50,095
DP 29 - MCDC Food and Rent Inflation FY02 & FY03	0.00	0	37,281	0	37,281	0.00	0	62,366	0	62,366
DP 699 - Vacancy Savings at 4 Percent	0.00	(620)	(22,650)	(3,964)	(27,234)	0.00	(622)	(22,747)	(3,982)	(27,351)
DP 992 - Discontinue OJJDP Combating Underage Drinking	0.00	0	0	(126,946)	(126,946)	0.00	0	0	(126,946)	(126,946)
DP 994 - Substance Abuse Prevention and Treatment Block Grant	0.00	0	0	1,633,706	1,633,706	0.00	0	0	1,631,850	1,631,850
DP 995 - Continue Community Incentive Grant	5.00	0	0	3,649,490	3,649,490	5.00	0	0	3,650,702	3,650,702
DP 997 - MCDC Pharmacy Cost Inflation	0.00	0	22,829	0	22,829	0.00	0	25,608	0	25,608
Total Other Present Law Adjustments				\$5,239,388					\$5,151,624	\$5,267,950
Grand Total All Present Law Adjustments				\$5,450,383						\$5,489,140

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - Indigent Youth Alcohol Treatment - The legislature added \$3,252 general fund over the biennium to annualize the fiscal 2001 provider rate increase authorized by the 1999 legislature. Indigent youth alcohol treatment funds provide inpatient chemical dependency services to adolescents. The department will use these funds to match federal Medicaid funds for the expansion of Medicaid services to include outpatient chemical dependency services.

DP 28 - MCDC Holiday, OT, Differential Pay - The legislature approved \$98,731 state special revenue funding over the biennium for holiday worked pay, overtime pay, and differential pay at the Montana Chemical Dependency Center. The Center is staffed 24 hours a day every day of the year. Although these costs were incurred in fiscal 2000, they are removed from the base budget as a standard practice. Base budget expenditures were \$27,486.

DP 29 - MCDC Food and Rent Inflation FY02 & FY03 - The legislature added \$99,647 state special revenue funding over the biennium to fund the Montana Chemical Dependency Center contracted food and non-Department of Administration rent inflation increases. The center will continue to rent the building it currently occupies and the meals will be contracted from the adjoining retirement home. Contractual inflation is 3 percent for rent and 4 percent for meals per year.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

DP 992 - Discontinue OJJDP Combating Underage Drinking - The legislature removed \$253,892 federal funding over the biennium as the Office of Juvenile Justice and Delinquency Planning Combating Underage Drinking Grant was transferred to the Department of Justice.

DP 994 – Substance Abuse Prevention and Treatment Block Grant - The legislature approved \$3.3 million federal funds over the biennium for an increase in the Substance Abuse Prevention and Treatment (SAPT) block grant. The SAPT block grant supports community services for individuals needing alcohol and drug services. The block grant was increased to \$6.3 million effective fiscal 1999. This proposal requests the difference between SAPT block grant expenditures in fiscal 2000 and the new grant amount.

DP 995 - Continue Community Incentive Grant - The legislature approved the executive request to add \$7.3 million federal funds and funding for 5.0 FTE over the biennium to continue the State Incentive Grant program funded in the 2001 biennium. DPHHS received a \$9 million grant from the Substance Abuse and Mental Health Services Administration. The purpose of the grant is to provide funding and training to assist communities with alcohol prevention planning and programming. The legislature authorized the appropriation and funding for the FTE as a one-time-only appropriation.

DP 997 - MCDC Pharmacy Cost Inflation - The legislature added \$48,437 state special revenue over the biennium for increased pharmacy costs at Montana Chemical Dependency Center. The pharmacy management contract requires a 25 percent increase in the management fee associated with the contract in fiscal 2001 and 4.5 percent each year thereafter. The contract changes also require an increase of 8.5 percent in prescription drug costs beginning in fiscal 2001.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 117 - Refinance Chemical Dependency Program										
02	1.00	(4,978)	25,725	2,444,192	2,464,939	1.00	(22,469)	25,809	3,307,177	3,310,517
DP 138 - Provider Rate Increase - Indigent Youth										
02	0.00	2,291	0	0	2,291	0.00	6,930	0	0	6,930
DP 415 - Intergovernmental Transfer - Chemical Dependency										
02	0.00	0	250,000	671,829	921,829	0.00	0	257,000	695,557	952,557
DP 888 - Change Funding for CD Position										
02	0.00	(51,254)	38,440	12,814	0	0.00	(51,407)	38,555	12,852	0
Total	1.00	(\$53,941)	\$314,165	\$3,128,835	\$3,389,059	1.00	(\$66,946)	\$321,364	\$4,015,586	\$4,270,004

New Proposals

DP 117 - Refinance Chemical Dependency Program - The legislature accepted the executive proposal to expand Medicaid services to include chemical dependency services and appropriated \$5.8 million and funded 1.0 FTE. DPHHS began implementation of the Medicaid program expansion in fiscal 2001, and scaled back the rate of the expansion in response to legislative direction.

The Medicaid expansion is funded by redirecting up to \$1 million of the federal chemical dependency block grant from contracts with community service providers to support operation of the MCDC. This funding change frees up earmarked alcohol tax previously used to support MCDC to be used as state match for Medicaid coverage of chemical dependency services.

DP 138 - Provider Rate Increase - Indigent Youth - The legislature appropriated \$9,221 general fund over the biennium for the Indigent Youth Alcohol Treatment program. Rate increases are 1.4 percent in fiscal 2002 and 2.8 percent in fiscal 2003.

DP 415 - Intergovernmental Transfer – Chemical Dependency - The legislature requested that the department propose a Medicaid intergovernmental transfer program for chemical dependency providers. Under this program, rates paid for Medicaid chemical dependency services provided by county funded and affiliated providers will be increased up to a certain limit if counties provide the nonfederal Medicaid matching funds. The legislature appropriated \$1.9 million total funds, including \$0.5 million county matching funds over the biennium.

DP 888 - Change Funding for CD Position - The legislature accepted the executive proposal to switch funding for a position in the chemical dependency program. The switch reduces general fund by \$102,661 over the biennium and increases alcohol state special revenue and federal funds by a like amount. This proposal was part of the executive plan to mitigate the 2001 biennium supplemental appropriation.

Language

Item [Addictive and Mental Disorders Division] is contingent on the department maintaining \$3,539,842 of federal block grant contracts to state-approved chemical dependency programs for treatment and rehabilitation each year of the 2003 biennium.

DIVISION ADMINISTRATION

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	571,516	466	0	571,982	5,967	0	577,483	1,149,465
Operating Expenses	177,693	629	0	178,322	2,893	0	180,586	358,908
Equipment	19,508	0	0	19,508	0	0	19,508	39,016
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	88	0	0	88	0	0	88	176
Debt Service	19,311	0	0	19,311	0	0	19,311	38,622
Total Costs	\$788,116	\$1,095	\$0	\$789,211	\$8,860	\$0	\$796,976	\$1,586,187
General Fund	570,746	(967)	0	569,779	4,731	0	575,477	1,145,256
State/Other Special	24,562	261	0	24,823	504	0	25,066	49,889
Federal Special	192,808	1,801	0	194,609	3,625	0	196,433	391,042
Total Funds	\$788,116	\$1,095	\$0	\$789,211	\$8,860	\$0	\$796,976	\$1,586,187

Division administration is responsible for operation and management of the division. The administrative function is cost allocated across division activities and is supported from a mix of general fund, alcohol state special revenue, and federal Medicaid and block grant funds.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				24,299					30,030
Vacancy Savings				(16,494)					(16,666)
Inflation/Deflation				1,682					3,240
Fixed Costs				5,357					6,085
Total Statewide Present Law Adjustments				\$14,844					\$22,689
DP 698 - Rent Reduction - Use of Capitol Land Grant Funds									
0.00	(6,410)	0	0	(6,410)	0.00	(6,432)	0	0	(6,432)
DP 699 - Vacancy Savings at 4 Percent									
0.00	(5,315)	(229)	(1,795)	(7,339)	0.00	(5,357)	(231)	(1,809)	(7,397)
Total Other Present Law Adjustments									
0.00	(\$11,725)	(\$229)	(\$1,795)	(\$13,749)	0.00	(\$11,789)	(\$231)	(\$1,809)	(\$13,829)
Grand Total All Present Law Adjustments				\$1,095					\$8,860

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 698 - Rent Reduction - Use of Capitol Land Funds - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.